



Office of the City Auditor

**Report to the City Council
City of San José**

**COMMUNITY CENTER
REUSE: EFFICIENT
MONITORING AND
BETTER DATA CAN HELP
DETERMINE THE NEXT
PHASE OF REUSE**

**Report 18-06
September 2018**

September 6, 2018

Honorable Mayor and Members
Of the City Council
200 East Santa Clara Street
San José, CA 95113

Community Center Reuse: Efficient Monitoring and Better Data Can Help Determine the Next Phase of Reuse

The City of San José has 50 community centers. The City's Department of Parks, Recreation and Neighborhood Services (PRNS) continuously operates 11 of these centers. The remaining 39 – which range from small facilities under 1,000 square feet to 20,000 square foot multi-purpose facilities – are part of the “reuse program.”

The reuse program allows for-profit, nonprofit, neighborhood associations, school districts, and other government agencies or community service providers to use these facilities (usually at no cost and with subsidized utilities and maintenance), in exchange for providing services primarily to San José residents. Services provided in reuse facilities range from preschool, after-school programs, and youth summer camps, to adult education, recreation programs, cultural offerings, workforce development, case management, and immigration and refugee referral services.

The objective of this audit was to review tenant monitoring, services offered, and cost savings of the reuse program. The audit was conducted in response to a Councilmember request. To understand the scope of services offered by reuse providers, we compiled all available data from existing contracts, available performance reports, and provider websites. In addition, we visited 14 reuse sites, interviewed 16 reuse providers, reviewed all providers' websites (as available), and surveyed all reuse providers (77 percent responded). Data compiled from these efforts are in Appendix A and B. See the scope and methodology section for further information.

Finding 1: Better Facility Level Data Can Inform the Future of the Reuse Program. The reuse program began in 2005 to address a disconnect between newly available funds to build new community centers and limited staffing and operational budgets to run existing community centers. In 2008, the City Council approved a policy to formalize the reuse program and service providers began moving into facilities. The program grew in response to economic downturns and reductions in City staff. In 2010-11, as the City faced unprecedented budget cuts the number of reuse sites more than doubled. Today, almost ten years later, outside non-profits/organizations still operate 27 reuse facilities. An additional 10 reuse sites house City programming, sometimes in conjunction with outside organizations. Two reuse sites are currently closed.

As it updates its long-term strategic plan (Greenprint), PRNS should also take the opportunity to reset expectations and evaluate options for the future of reuse sites. To make such decisions, PRNS will need to improve its facility-level data collection. While the reuse program has maintained some level of access to services, the program benefits and facility-level costs have not been quantified. In addition, the City has not tracked the value of the rent subsidy to service providers, nor fully analyzed individual reuse facilities' deferred maintenance. We recommend that PRNS include information on actual services in their annual reuse updates, improve cost tracking, and (in coordination with Public Works) complete condition assessments on all reuse facilities. Ongoing evaluation of facilities' costs and program benefits can help determine whether there are better uses for reuse facilities, whether facilities require capital improvements (or should be surplus), or whether sites could benefit from City programming.

Finding 2: PRNS Can Better Ensure Reuse Providers Deliver Promised Services. Under the City's Reuse Policy, PRNS is authorized to execute reuse service agreements with service providers. These agreements typically include performance reporting and other requirements. At the time of our audit, PRNS had only a few of the required performance reports on file from the past five years, making it difficult for PRNS to assess whether providers are delivering promised services to the community. In addition, PRNS does not have active reuse agreements or current certificates of insurance for all service providers. Finally, PRNS has not ensured fulfillment of other key agreement provisions, such as provider certifications that staff supervising children have received background checks, or that providers only utilize fees to support on-site programming. We recommend that the reuse team develop procedures to monitor service providers and immediately bring all agreements up to date and collect other required documentation.

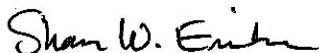
Finding 3: Opportunities Exist to Improve Efficiency of Reuse Management. As mentioned earlier, the reuse program has grown over time. The number of reuse sites more than doubled since it began and the City has introduced a new "hybrid" model, with both service providers and City staff on-site. With reuse facilities varying greatly by size, service providers, and types of services offered, this growth has made facilities management and contract monitoring more complex. Currently, PRNS has 1.6 full-time equivalent staff (FTE) to monitor contracts for providers at 34 reuse sites. To reduce the administrative burden of the program, we recommend that PRNS simplify reuse agreements for smaller neighborhood centers. Also, PRNS should set minimum standards of service at larger satellite centers. PRNS should also streamline management by formalizing other types of subsidized facility use and using a single reservation system to track rentals and provider schedules. Finally, PRNS can improve community awareness of activities at reuse facilities by including service provider links on the City's website and advertising City-run programs at reuse facilities (similar to how it advertises for hubs).

Finding 4: PRNS Should Ensure Transparency in How Reuse Providers Are Selected. The Reuse Policy states that service providers shall be selected through an open and competitive process, with the goal of maximizing the benefit to residents. In 2010, City Council temporarily suspended competitive processes for reuse in response to the magnitude of the budget crisis faced by the City, allowing PRNS to use the Municipal Code's provisions for Unique Services Purchases. The temporary suspension has since been extended through FY 2019-20. In 2015 and 2017, PRNS issued two Requests for Qualifications (RFQs) to identify a pool of potential reuse service providers for satellite and neighborhood centers. Despite establishing this pool, PRNS opted to use unique services to select its current reuse providers. While these selections were not prohibited under the unique services authority, some highly rated respondents were passed over for others with much lower evaluation scores. In addition, some of the selected providers did not submit RFQ proposals and in at least two instances new agreements were signed during the RFQ process, before providers had submitted proposals. We recommend that PRNS document the reasons behind the 2015 and 2017 provider selections, as required under the Municipal

Code's provisions for Unique Services Purchases. PRNS should also use the list of qualified providers that resulted from the 2015 and 2017 RFQs in the event space opens up prior to the next RFQ.

This report includes 19 recommendations. We will present this report at the September 13, 2018 meeting of the Neighborhood Services & Education Committee. We would like to thank the Parks, Recreation and Neighborhood Services Department, the Department of Public Works, the Finance Department, and the City Attorney's Office, as well as the reuse service providers, for their time and insight during the audit process. The Administration has reviewed this report and their responses are shown on the yellow pages.

Respectfully submitted,



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This report is also available online at www.sanjoseca.gov/audits

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Introduction

The mission of the City Auditor's Office is to independently assess and report on City operations and services. The audit function is an essential element of San José's public accountability, and our audits provide the City Council, City management, and the general public with independent and objective information regarding the economy, efficiency, and effectiveness of City operations and services.

In accordance with the City Auditor's Fiscal Year (FY) 2017-18 Work Plan, we have completed an audit of the City's Community Center Reuse Program. This audit was conducted in response to a Councilmember request to review the program's tenant monitoring, programs offered, and cost savings.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We limited our work to those areas specified in the "Audit Objective, Scope, and Methodology" section of this report.

The Office of the City Auditor thanks the Parks, Recreation and Neighborhood Services Department, the Department of Public Works, the Finance Department, and the City Attorney's Office, as well as the reuse service providers, for their time and insight during the audit process.

Background

The City of San José has 50 community centers. The City's Department of Parks, Recreation and Neighborhood Services (PRNS) continuously operates 10 of these centers, commonly referred to as "hubs." PRNS also continuously operates Bascom Community Center, a combination hub center and City library.

The remaining 39 facilities are part of the PRNS "reuse program." The reuse program allows for-profit, nonprofit, neighborhood associations, school districts, and other government agencies or community service providers to use these facilities, usually at no cost, in exchange for providing services primarily to San José residents. See Appendix A for a full list of the City's community centers and reuse facilities.

As of January 2018, outside non-profits/organizations operated at 27 of these facilities. Other City programs, like those run by the Office of Economic Development and PRNS, used an additional 10 reuse sites, sometimes in

conjunction with outside organizations. Two facilities have been closed for years, but remain on the reuse list.

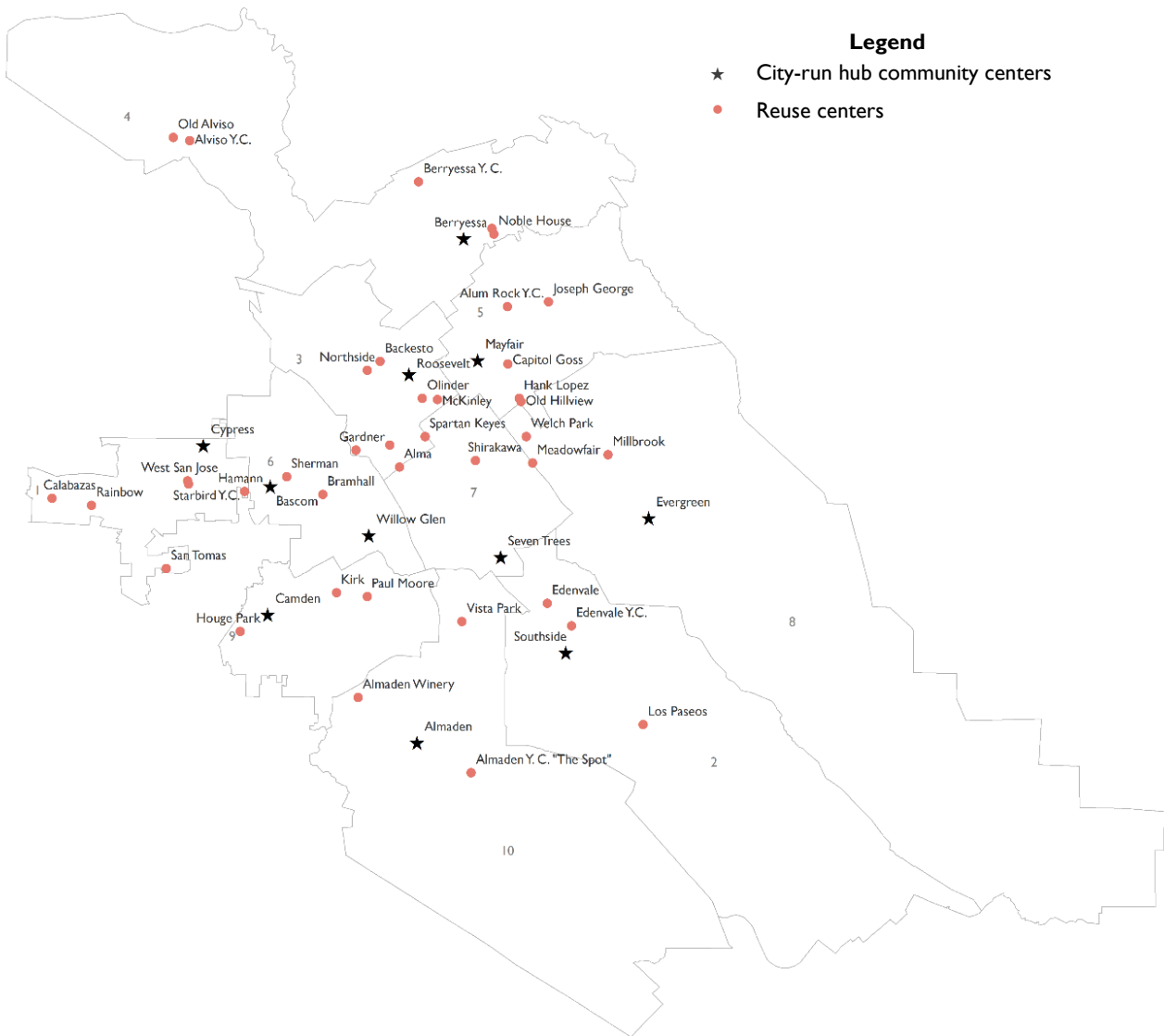
Example organizations using reuse sites include: The Boys & Girls Clubs of America, YMCA, the Veterans Supportive Services Agency, the Eastern European Services Agency, the Asian American Center of Santa Clara County, the Arab American Cultural Center of Silicon Valley, San José Astronomical Association, and Alum Rock Educational Foundation.¹ See Appendix B for a list of reuse providers and their services.

Services provided in reuse centers range from after-school programs and youth summer camps to adult education, workforce development, case management, and immigration and refugee referral services (as discussed in Finding 2).

Each Council district has between two and seven reuse facilities (see Exhibit 1).

¹ The Alum Rock Educational Foundation has recently changed their organization name to Alliance for Youth Achievement “to better reflect their programming and services.” Their target audience has not changed and they continue to serve the Alum Rock School District in East San José.

Exhibit I: 39 of 50 Community Centers in San José Are Reuse Facilities



Source: Auditor map based on PRNS' Facilities Guide. Numbers on the map represent Council districts.

History of the Reuse Program

The reuse program began as a way to address a disconnect between newly available capital funds and limited operating budgets. In 2000, San José voters passed a measure to issue \$228 million in general obligation bonds to acquire property and improve parks, trails, and recreation facilities. These funds went

toward the expansion and construction of new community centers, but the measure restricted use of funds so they could not go toward operations.²

Following the economic downturn in 2001 and subsequent budget reductions, PRNS could not afford to staff all community centers. Rather than close preexisting facilities—which residents opposed—PRNS proposed the reuse strategy in the FY 2005-06 budget process as a means of maintaining some level of public benefit while reducing the number of recreation staff.³

PRNS moved forward with the reuse proposal in 2006, convening an advisory task force, holding community meetings, and initiating a request for qualifications (RFQ) for potential reuse service providers. While PRNS assessed 36 potential sites for reuse, the City Council only approved 19 reuse sites, later reducing the number to 17 in 2007-08.

In 2008, the City Council approved a policy to formalize the reuse program (City Council Policy 7-12) and service providers began moving into facilities. In 2010, following nine consecutive years of Citywide budget cuts and massive layoffs, Council added 21 more sites to the reuse list – more than doubling the number of sites in the program.

Exhibit 2 summarizes the history of the reuse program.

² Measure P asked voters “To improve San José’s neighborhood parks’ safety and expand recreation opportunities for children, families and seniors, by...constructing new recreational sports facilities; improving Community and Senior Centers...shall the City issue \$228,030,000 in bonds, at the best rates possible, with guaranteed annual audits, a citizen’s oversight committee, and no money for parks administrators’ salaries?”

³ With the passage of Measure P and the approval of the hub community center model, PRNS intended to close some older sites and redistribute staff to the new hub centers as they opened, but residents opposed facility closure. However, by FY 2005-06, PRNS had already undergone several budget reductions. Community center staffing dropped by about half from FY 2002-03 to FY 2005-06.

Exhibit 2: The Reuse Program Has Grown in Response to Economic Downturns and Staff Reductions

2000	<p>City Council adopts the 2000 Greenprint,⁴ which proposes a hub model for community center service delivery</p> <p>San José voters approve bonds to fund new and improved parks and other facilities, including community centers, with the expectation that no existing centers would be closed</p>
2003	2003-04 Adopted Operating Budget eliminates 44 FTE of community center staff as a budget savings measure; meanwhile, several new community centers have opened and several more are under construction
2004	<p>42 community centers citywide are operated by 115 staff</p> <p>2004-05 Adopted Operating Budget initiates the consolidation of community center services into 16 hub facilities, 12 satellite centers, and 4 neighborhood centers with 78 staff</p>
2005	2005-06 Adopted Operating Budget authorizes PRNS to implement a facility reuse strategy; PRNS evaluates 34 sites for facility reuse, establishes an advisory task force, and develops an initial RFQ to select reuse operators
2006	PRNS releases first RFQ for reuse service providers, recommends scaling back the number of reuse facilities, conducts facility conditions assessment for 25 proposed reuse facilities
2007	2007-08 Adopted Operating Budget authorizes 2 positions for reuse contract management and 20 positions to continue services at reuse facilities
2008	City adopts Council Policy 7-12, formalizing the reuse program
2010	City Council adds 21 sites to the reuse list and authorizes a temporary suspension of the competitive selection process for service providers by adding a unique services provision to Council Policy 7-12
2012	City Council extends unique services through FY 2012-13
2013	City Council extends unique services through FY 2019-20 and directs staff to (1) report annually on potential to reactivate reuse centers (by adding City staff) and (2) to return to Council for “a discussion about the future of the Reuse program”
2015	PRNS issues an RFQ for service providers at satellite centers
2017	PRNS issues an RFQ for service providers at neighborhood centers

Source: Auditor analysis of Council memos, resolutions, and budget documents.

⁴ The Greenprint is a guiding document that acts as PRNS' long-term strategic plan. It was updated in 2009 and is in the process of being updated again (2018).

Over time, facilities have been added to the reuse list due to lack of current City programming, the facility's age, or proximity to other sites with City programming. Facilities have also been removed from the list pending demolition (due to structural concerns), lease expiration, or by Council request.

Reuse Centers Are All Unique

The facilities themselves vary significantly by size, condition, and location (see Appendix A). Facility ages range from 88 to 8 years old. Square footage ranges from 665 to 20,190 square feet. Some large facilities have commercial kitchens, gymnasiums, classrooms, or computer labs, while some of the smaller facilities do not have their own restrooms.⁵ Some facilities are modular structures; others are converted offices, locker rooms, or houses. Some facilities are freestanding. Some facilities are on school sites; some are on parkland.⁶

The facilities' structural differences lend themselves to different uses (see Exhibit 3). PRNS distinguishes between reuse facilities as:

- **14 satellite centers**, which are 10,000 to 20,000 square feet and may serve seniors, youth, persons with disabilities, and/or the general population, and
- **25 neighborhood centers**, which are less than 10,000 square feet and serve a specific recreation or neighborhood need.

⁵ Participants at these facilities must use park restrooms located outside of the facility.

⁶ Many reuse facilities have restrictions on use. Reuse facilities on school property may require school district consent to change the site or operation. Additionally, the San José City Charter (Section 1700) restricts use of facilities on parkland. Generally, the Charter requires a majority vote of the people to permit use of park buildings longer than 3 years. However, the City Council can enter long-term agreements to allow use of park buildings for up to 25 years under certain conditions. The City can also repurpose the site (for City use) or convert it to parkland. Finally, sites that the City financed using tax-exempt government bonds are subject to IRS regulations on private use, including use by non-profits. These facilities cannot be used to further a business activity. For a map of reuse facilities with restrictions on use, lease, and sale, see Appendix C.

Exhibit 3: Reuse Facilities' Size and Condition Vary Significantly



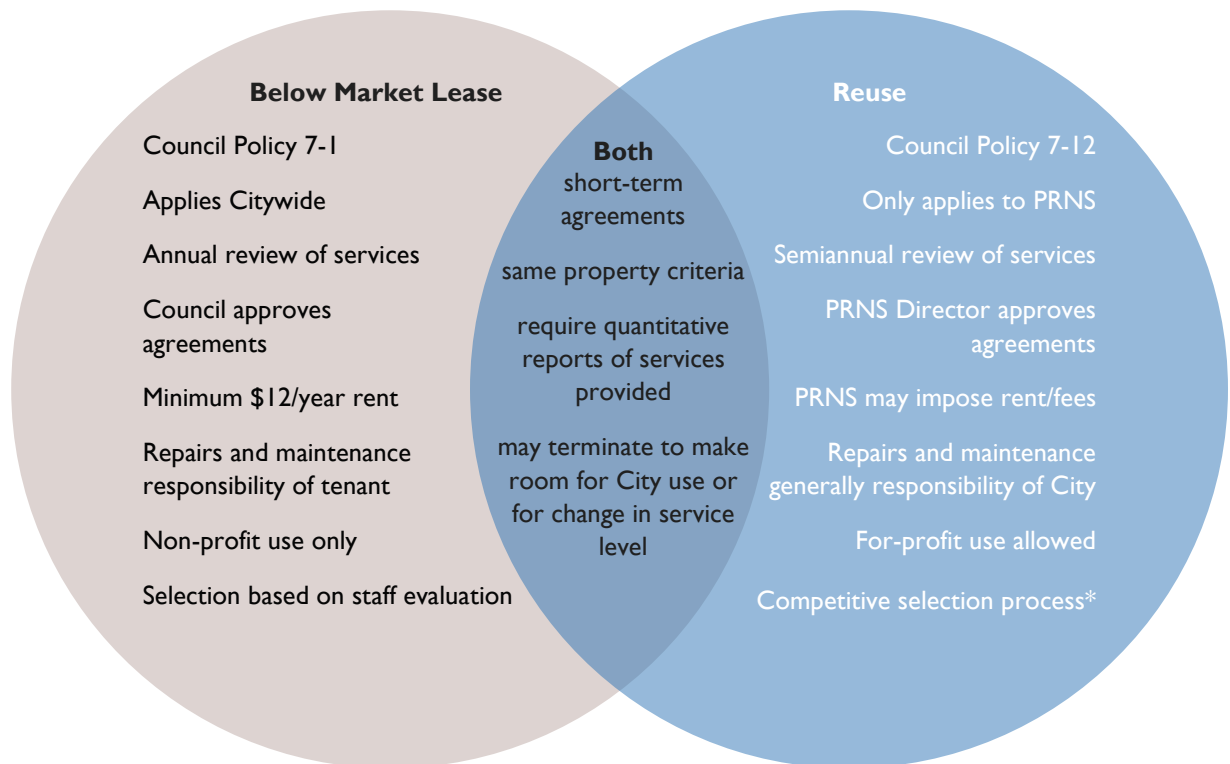
Council Policy 7-12 (Reuse) Source: Auditor photographs showing exterior and interior (top and bottom photos) of Starbird, Capitol Goss, and Edenvale centers, from left to right. Starbird and Edenvale are satellite centers. Capitol Goss is a neighborhood center.

Reuse facilities operate differently than other below market rentals of City-owned facilities. These differences are laid out in Council Policy 7-12,⁷ which governs reuse, and Council Policy 7-1,⁸ which governs other below market rentals (see Exhibit 4).

⁷ City Council Policy 7-12: Use of Community Center Reuse Sites in Exchange for Services That Primarily Benefit San Jose Residents (<http://www.sanjoseca.gov/DocumentCenter/View/3906>).

⁸ Below Market Rental Policy for Use of City-Owned Land and Buildings by Nonprofit or Charitable Organizations or for Governmental or Other Public Purposes (<http://www.sanjoseca.gov/DocumentCenter/View/3896>).

Exhibit 4: Separate Policies Govern Below Market Leases and Reuse



Source: Auditor analysis of Council Policies 7-1 and 7-12.

* The requirement for competitive selection process for service providers has been temporarily suspended (see Finding 4).

The City's Reuse Policy only applies to PRNS facilities and explicitly supersedes the Citywide policy on below market leases. The Reuse Policy authorizes the PRNS Director to enter property use agreements for facilities designated by City Council as reuse facilities. Notably, reuse agreements represent "license rights/not a lease." As such, the City does not need to collect any rent or payment for maintenance.⁹

By contrast, under the City's policy on below market leases, the minimum rent the City can charge a non-profit in a lease agreement is \$1/month. Additionally, tenants of leased sites are responsible for all repairs and maintenance, whereas for reuse facilities, the City is generally responsible for repairs and maintenance.

The Reuse Policy also outlines the responsibilities of PRNS and service providers, which are incorporated into reuse agreements (further discussed in Finding 2). The policy also sets the process by which staff select service providers (further

⁹ Under City Council Policy 7-12, the City may impose "market rate facility use fees and/or full or partial payment of fees" and charges, utilities, or maintenance, commensurate with the size of the facility, based on whether the service provider charges membership or program fees. According to City staff, no reuse providers are currently charged rental fees by the City.

discussed in Finding 4) and criteria for including facilities on the reuse list (further discussed in Finding 1).

Generally, the Reuse Policy offers PRNS more discretion than a department would have under the policy on below market leases. For example, Council Policy 7-1 requires City Council approval of all leases/property use agreements. Council Policy 7-12 only requires Council approval when a site is added or removed to the reuse list, and does not require Council approval of reuse providers.

Organization and Staffing

The FY 2017-18 adopted operating budget authorized 17.6 full time equivalent (FTE) staff and a budget of approximately \$2 million to the reuse program. This represents 2 percent of PRNS' operating budget and 3 percent of staff department-wide. By comparison, community center operations had 202.95 FTE and an \$18.1 million budget—19 percent of the departmental budget and 30 percent of staff department-wide.¹⁰ (See Finding 1 for more information on reuse program costs and offsetting revenues.)

PRNS' reuse management team is responsible for providing ongoing property and contract management of service providers.¹¹ The team includes a recreation supervisor and three recreation program specialists, one of whom acts as a facilities maintenance manager.¹²

The remaining budgeted staff supplement services at reuse facilities. These positions may be permanent—as occurs at “hybrid” reuse facilities, where service providers are co-located with City staff to ensure community access during nights and weekends—or temporary, to bridge service gaps while the reuse management team identifies service providers.

Audit Objective, Scope, and Methodology

The objective of our audit was to review tenant monitoring, services offered and cost savings of the reuse program. We sought to assess the performance of service providers under the reuse program, the variety of services offered through

¹⁰ Some City staff at reuse sites were budgeted within community center operations. For example, the 2017-18 adopted operating budget authorized roughly \$57,000 for part-time positions to bridge services at Gardner Community Center, as the reuse management team tried to identify a youth and teen services provider. It also authorized 4.0 FTE to support operations for the interim Vietnamese American Community Center housed at Shirakawa Community Center.

¹¹ This includes property management for City-run reuse sites. It does not include contract management for the Spartan Keyes facility, however. That contract is managed by PRNS' Strategic Partnerships Unit. OED manages the City's lease for the Spartan Keyes location.

¹² One recreation program specialist has been reassigned to the City's aquatics program, but is still budgeted within the reuse program (see Finding 1). The recreation supervisor divides time between the aquatics and reuse programs, with just 0.6 FTE budgeted toward reuse. This leaves just 1.6 FTE to monitor contracts for providers at 34 reuse facilities.

the reuse program and whether the goals of the program were met, and analyze program costs and potential revenues. To this end, we performed the following:

- Reviewed relevant City policies, including:
 - Council Policy 7-12 *Use of Community Center Reuse Sites in Exchange for Services that Primarily Benefit San José Residents*
 - Council Policy 7-1 *Below Market Rental Policy for Use of City-Owned Land and Buildings by Nonprofit or Charitable Organizations or for Governmental or Other Public Purposes*, and
 - Council Policy 1-21 *Pricing and Revenue Policy* for the Parks, Recreation and Neighborhood Services Department.
- Interviewed PRNS staff involved in the management of the reuse facilities.
- Reviewed past audits on community center staffing (2010), oversight of financial assistance to community based organizations (2008), and the Filipino American Senior Opportunities Development Council at Northside Community Center (2005).
- Reviewed past City Council memos, Council and committee meeting videos and transcripts, and budget documents to understand the history of the reuse program.
- Reviewed City and IRS guidance on public use requirements for facilities financed with tax-exempt governmental bonds.
- Reviewed various legal requirements applicable to service providers, such as state regulations regarding child care facilities.
- Reviewed service agreements to identify promised services; performance reporting requirements; backgrounding (when applicable), licensing, and insurance requirements; and other responsibilities. Compiled services and hours across reuse agreements.
- Identified 20 organizations that received both City grants and use of reuse facilities, and compared a sample of grant terms with reuse agreements.
- Reviewed all available semi-annual performance reports from 2013-2017 submitted by service providers and on file with PRNS to gain an understanding of actual services provided at the centers.
- Visited a sample of 14 reuse sites and interviewed a sample of 16 service providers to better understand services offered, compliance with contracted terms (e.g., background checks, tuberculosis tests, insurance coverage, etc.) and relationship with City staff.
- With the help of PRNS staff, surveyed service providers about their services offered, hours open, and other information (23 service providers responded).

- Reviewed service provider websites to identify advertised hours and programming.
- Mapped program types at each facility based on the most recent agreements and the most recent reuse list.
- Interviewed City staff on the facility reservation process and reviewed ActiveNet data on uses of facility rentals.
- Checked whether the City had active certificates of insurance on file for all service providers as of April 2018.
- Reviewed documentation from the 2015 RFQ for satellite center service providers and the 2017 RFQ for neighborhood center service providers.
- Analyzed Public Works maintenance work orders at reuse facilities from FY 2016-17 and reviewed PRNS' maintenance spreadsheet for FY 2017-18.
- Reviewed the City's most recent Status Report on Deferred Maintenance and Infrastructure Backlog and available facility condition reports for three reuse facilities.

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Finding I Better Facility Level Data Can Inform the Future of the Reuse Program

Summary

As PRNS updates its long-term strategic plan (Greenprint), PRNS should also take the opportunity to reset expectations and evaluate options for the future of reuse sites. To make such decisions, PRNS will need to improve its facility-level data collection. While the reuse program has maintained some level of access to services, program benefits and facility-level costs have not been quantified. In addition, the City has not tracked the value of the rent subsidy to service providers, nor calculated how individual reuse facilities' deferred maintenance contributes to the City's infrastructure backlog. We recommend that PRNS include information on actual services in their annual reuse updates, improve cost tracking, and (in coordination with Public Works) complete condition assessments on all reuse facilities. Ongoing evaluation of facilities' costs and program benefits is necessary to determine whether there is a better use for a reuse facility, whether facilities require capital improvements (or should be surplus), or whether the site could benefit from City programming.

PRNS Has an Opportunity to Reset Expectations and Evaluate Options for the Future of the Reuse Program

The reuse program began in the mid-2000s as PRNS' hub community centers were opening, and PRNS could not afford to staff new hubs and all existing satellite and neighborhood facilities. Over time, the program has changed. Reuse sites were added because of budget deficits that resulted in staff reductions. In recent years, PRNS began using a hybrid model at some satellite sites where City programs supplement reuse providers with City staff in the same facility.

As described in the Adopted Operating Budget in FY 2005-06, at the beginning of the program, the reuse strategy was intended to "optimize utilization of the new facilities and transition other facilities to more viable options." As PRNS recently noted to City Council regarding the current update to the Greenprint, from a stewardship standpoint PRNS has a responsibility to make sure its reuse buildings are maintained, and if they are not able to maintain them, they should assess if there is a better use.¹³

As PRNS moves forward after a decade of reuse, it has an opportunity to reset expectations and reevaluate the administration of the program. Other recommendations in this report will aid PRNS in their efforts to administer the

¹³ More information about the Greenprint and its update can be found at <http://sanjoseca.gov/index.aspx?nid=560>. See [item d\(3\)](#) of the June 14, 2018 meeting of the Neighborhood Services and Education Committee.

current program more efficiently and make it more transparent to residents. In addition, PRNS should improve programming data collection to inform decision making and communicate the benefits and costs of the program.

Future Assessments of the Reuse Program Require a Better Understanding of the Condition of the Facilities and Value of the Services Provided

The purpose of the reuse program is to reduce staff costs associated with community centers while maintaining some level of service. However, this model necessitates evaluation of opportunity costs and alternative uses. For example, does a site warrant additional capital investment or City staffing? These alternatives are implied within the Reuse Policy, for consideration when a site is to be added or removed from the reuse list.

Under the Reuse Policy, City Council may designate sites for reuse if:

1. The facility is underused and the City does not plan to provide staffing or fully program activities in the immediate future,
2. The date for future City programming is far enough away to justify interim use,
3. There is not a restriction based on existing lease or financing terms that will preclude the use of the facility, or
4. The property or facilities are not scheduled for surplus.

The Reuse Policy also authorizes the City Council to remove a facility from the reuse list “if the Council determines such an action is in the best interest of the City.”

Ongoing evaluation of facilities’ costs and benefits is necessary to determine whether there is a better use for a reuse facility—either surplus the property (selling it or converting it to parkland) or adding City programming.

PRNS Does Not Have Complete Condition Assessments on the Reuse Facilities

As noted previously, there is great variation in the age and condition of the facilities. PRNS staff noted that they spend much of their time responding to maintenance requests. In our own site visits, we witnessed water damage and mold at one facility. PRNS reported that this has been resolved. However, it entailed the provider vacating the facility for some period of time.

PRNS reported they do not conduct regular condition assessments of reuse facilities with Public Works. Though Public Works has three condition facilities reports for Alma Senior Center, Alum Rock Youth Center, and Hank Lopez Center, these reports are old and therefore insufficient to determine a total for

deferred maintenance.¹⁴ As a result, PRNS does not have complete facility-level information on deferred maintenance at reuse facilities.

This information would help PRNS consider whether additional capital investment is required to update and maintain facilities, move facilities to lease agreements, or, particularly as facilities age, to convert facilities to parkland or sell the facility.

The City Does Not Know the Value of Rent Subsidies Provided Under Reuse

In addition, the City does not currently know the value of the rent subsidy to reuse service providers. Nor does the City include reuse subsidies in the *City Manager's Annual Report of Funding to Community Based Organizations*, which is meant to “enhance the oversight and impact of City funding provided to CBOs [community based organizations].”

In 2010, our office's Audit of Community Center Staffing¹⁵ recommended that the Administration “Estimate the fair market value of reuse facilities” (Recommendation #8). This recommendation is still outstanding.

Recommendation #1: To inform future capital investment decisions and better understand the subsidy value to reuse service providers, PRNS should work with Public Works to periodically assess the condition and calculate the deferred maintenance of reuse facilities.

¹⁴ PRNS has estimated infrastructure backlog based on past condition assessments. In addition, they provided us with other facilities assessments: a 2015 insurance valuation report for reuse facilities, a 2015 internal draft on department-wide infrastructure backlog (which does not break out reuse facilities), and a 2011 facilities assessment of reuse sites.

¹⁵ <http://www.sanjoseca.gov/DocumentCenter/View/3221>

Council Has Requested Information on Reuse Program Costs and Costs to Restaff Community Centers

City Council has requested cost information in the past to aid in evaluating program effectiveness and the potential to add City staff. For example, in 2012, Council requested a financial assessment of the reuse program¹⁶ and in 2013, Council directed staff to present a plan to evaluate sites on an annual basis for restaffing of any kind.¹⁷

Restaffing a Reuse Facility Would Cost Around \$210,000 to \$350,000 Annually

Based on staffing standards in the 2009 Greenprint (5 FTE per satellite center and 3 FTE per neighborhood center), we estimate fully staffing a satellite center would cost the City about \$350,000, and staffing a neighborhood center would cost about \$210,000 annually.

However, calculating the cost of staffing a facility is complicated because there is not a current or standard staffing model for satellite and neighborhood centers. For example, not all reuse facilities would require the number of staff outlined in the 2009 Greenprint – some may require more, while others would require less. As mentioned earlier, some reuse facilities already have City staff on-site.

In addition, programming would likely vary between facilities, with some costs potentially offset by revenue from program fees. Nonetheless, the cost to fully staff all reuse facilities would be significant.

¹⁶ Past PRNS estimates of cost savings have varied widely. A 2012 memo estimated a cost savings of more than \$11 million annually for 41 reuse facilities; whereas a 2013 memo estimated cost savings of about \$5 million for 42 reuse facilities. The \$11 million figure was based on “average General Fund cost savings” of \$491,000 per satellite center and \$166,500 per neighborhood center, based on 2008-09 cost information. The \$5 million in cost savings represented the difference in estimated reuse program revenues and expenses from those of a City-run community center model. Using 2011-12 data, PRNS reported about \$500,000 in revenue from rentals and fees at reuse facilities, and \$2.7 million in operating costs associated with maintenance, staffing, and utilities. (PRNS’ cost-avoidance model attributed \$0 to nonpersonal expenses.) PRNS estimated the City-run model would cost \$6.9 million “based on assumptions of operational maintenance costs and is not reflective of past or current budgets. Figures provided ...would be used as a framework to develop new programs at Reuse sites should a City-operated model be considered.”

There has not been any follow-up evaluation since then. It should be noted that the level of service provided to the community under the reuse model is likely not the same as the level of service that would be provided through City-operated community centers. (PRNS acknowledged this when the reuse program was first proposed.) Without a better understanding of costs and how levels of service could differ, it is not possible to determine whether the reuse model provides better value to residents than a City-operated model.

¹⁷ The 2013 direction also was for PRNS to return for a discussion about the future of the reuse program following the results of the community outreach process for the upcoming RFQ round (see Finding 4). This was done in 2014. In 2015, a Manager’s Budget Addenda assessed the City’s ability to add staff at a satellite center, but there have not since been any annual evaluations. The memo concluded “due to limited resources available in 2015-16 and narrow General Fund surpluses forecasted for the next few years, the Administration has not proposed the reactivation of any satellite centers through the annual budget process.”

Reuse Program Operating Costs Totaled at Least \$3.6 Million in 2016-17

Based on data from the City's financial management system (FMS), expenditures allocated to operate the reuse program totaled at least \$2.5 million in 2016-17. Of this, around \$1.6 million went towards staffing.¹⁸ Utilities made up another \$500,000. Other costs, like communications, materials, and vehicle expenses made up another \$400,000. In addition, based on data from Public Works' asset management system (Infor), maintenance at reuse sites cost at least \$1.1 million in 2016-17, bringing the total program costs including maintenance to at least \$3.6 million.

The City Generated at Least \$670,000 in Revenue and Reimbursements to Offset Costs at Reuse Sites

In 2016-17, reuse facilities generated at least \$670,000 in income to the City that offsets the costs to administer the program. This includes \$125,000 in rental income, mostly from ongoing basketball and church rentals,¹⁹ and revenue derived from City programming at reuse sites, including fitness center fees, activity fees, and reimbursement from other local agencies for City-run nutrition programs.²⁰ It also includes \$448,000 in reimbursement from OED for the use of Kirk, Shirakawa,²¹ and Almaden Winery community centers for work2future. According to PRNS staff, no other service providers pay fees for their reuse space.²²

¹⁸ This figure is based on the responsibility codes that PRNS uses to account for reuse and work2future, which is housed in reuse facilities. It includes reuse contract management staff and some staff at reuse facilities. It does not capture program support from staff in PRNS' Strategic Partnership Unit, or some staff at City-run reuse facilities like Calabazas. It includes 1.0 FTE that has worked exclusively on aquatics. It also does not include Citywide overhead.

¹⁹ This figure is based on FMS data for FY 2016-17. According to PRNS staff, it is possible that this does not include all rental revenue from reuse facilities. If hub staff processed the rental permit, revenue may instead be attributed to the hub (see Finding 3). Also, as noted in Finding 2, some service providers rent out space at reuse facilities, which reduces potential rental revenue to the City but increases revenue to the service provider.

²⁰ Not all of the rental revenue is allocated to individual facilities; however, PRNS reservation software has facility-level information that could help in allocating those revenues.

²¹ Work2future has since vacated Shirakawa to make room for the interim Vietnamese American Community Center.

²² Some service providers have paid the City fees for their use of reuse facilities in the past. For example, the Silicon Valley Korean-American Federation paid up to \$24,000 per year for use of the West San José reuse facility. Now they pay \$0.

PRNS Can Better Track Facility-Level Costs

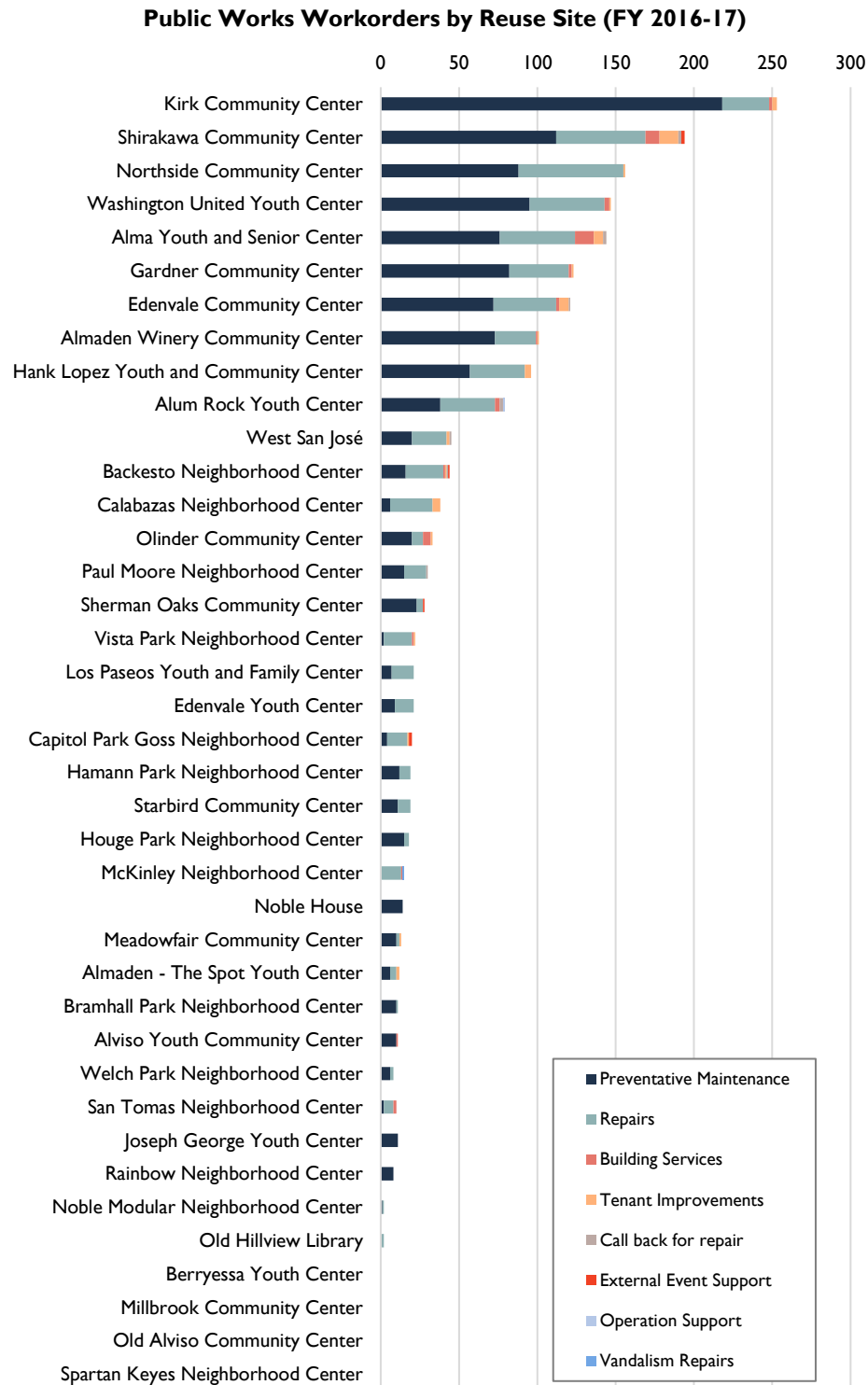
PRNS does not currently have sufficient data to assess the net operating costs of individual reuse facilities. For example, maintenance work orders may identify a facility (as shown in Exhibit 5), but costs are not always allocated at the facility level.²³ Additionally, funds for reuse maintenance come from several sources.

According to PRNS' reuse facilities manager, the only ongoing fund dedicated for the maintenance of reuse facilities is the reuse critical repair fund (\$100,000 annually) which is used for repairs of appliances, lighting, signs, and doors, for example. Other projects are funded on a case-by-case basis, and may come out of shared funds with non-reuse sites or larger one-time capital projects. As a result, total maintenance costs (as well as cost per facility) are difficult to calculate.

Determining the costs of the individual facilities is important in part because costs and revenues vary so much by facility, and there are tradeoffs in deciding to fund one site over another. For example, utility and maintenance costs vary by age and size of the facility. Also, rental revenue opportunities vary by size, facility amenities, and the type of programming at the facility.

²³ Both Public Works and PRNS maintain reuse facilities. Many Public Works work orders did not have associated charge codes or costs – 61 percent of reuse work orders provided did not specify a charge code. According to Public Works, if PRNS provides a charge code, the costs of the work are charged directly. In some instances, such as preventative maintenance or emergency repairs, work orders may not have charge codes associated. Preventative maintenance costs are typically allocated through overhead, while Public Works' capital appropriations cover emergency repairs. Public Works may initially cover the cost of some unanticipated events, but later receive a charge code for reimbursement by the department. How repairs are paid for depends on Public Works' budgeted responsibilities, which include electrical, plumbing, HVAC, carpentry, pest control, and fire life safety systems. PRNS began tracking maintenance by site and project in 2016, but has not tracked actual cost per work order.

Exhibit 5: Public Works Completed Nearly 1,900 Work Orders at Reuse Facilities in 2016-17



Source: Auditor analysis of Infor data provided by Public Works.

Note that Alviso Youth Center and Berryessa Youth Center are school sites, so no maintenance is typically done by the City. The City leases Spartan Keyes.

The variation in facilities' operating costs also makes determining program-wide cost avoidance²⁴ more complicated. Costs and revenues vary by how programming at each facility is run. For example:

- For a reuse facility run solely by a service provider, the City incurs costs associated with the physical facility (maintenance and rent²⁵), utilities, and contract management (at present, 1.6 FTE, though staff in another division also support contract development).
- For sites where the City offers services directly (either to support a hub or as a hybrid), or bridges services temporarily, the City incurs additional costs of on-site staff, but may also receive cost-recovery fees through City programming.
- For sites that house grantees, the City separately funds the services provided. In addition, there are also costs associated with grant management by another PRNS work group.²⁶
- Finally, sites that do not have community-facing programming, but instead house City staff from other divisions, just move costs of facilities and utilities from those divisions to reuse.

Previous Audit Recommendations Were Made to Improve Cost Tracking

In 2010, our office's *Audit of Community Center Staffing*²⁷ recommended that PRNS:

- Update the community center cost center dictionary and develop controls to ensure staff accurately track individual community center costs, program costs, and staffing costs (Recommendation #3) and
- Periodically review City's cost for reuse facilities, and assess the continued value of reuse sites (Recommendation #11).

Although these recommendations were implemented in 2010 and 2011 and PRNS' cost center dictionary does break out different facilities, it appears more can be done to track costs and revenues of individual reuse sites. Specifically, PRNS should collect facility-level data on maintenance costs and rental revenues.

²⁴ PRNS sometimes represents the value of the reuse program in terms of its "cost avoidance," or the difference between the reuse program's operating costs and estimated operating costs of a City-staffed service model.

²⁵ The City pays about \$2500/month in rent to an outside developer for the Spartan Keyes reuse facility.

²⁶ From 2014-2017, at least 17 service providers received other City grants. Additionally, at least three grantees used reuse facilities for free, without a reuse agreement (see Finding 2). These grants totaled about \$14 million, though it should be noted that not all grant money went towards programming at reuse sites.

²⁷ <http://www.sanjoseca.gov/DocumentCenter/View/3221>

Recommendation #2: To better track the net costs of individual facilities in the Reuse Program, PRNS should improve tracking of maintenance costs and revenues, periodically review the City's cost to operate reuse facilities, and assess the continued value of reuse sites.

Program Benefits Should Be Tracked and Regularly Reported to the City Council

The Reuse Policy states that the PRNS Director “may provide administrative reports from time to time to the City Council and the City Manager concerning Service Provider use of Community Center Reuse sites.” Accordingly, at different times, PRNS has presented reuse program updates to the Neighborhood Services and Education Committee of the City Council.²⁸

These updates have occasionally included participation as a measure of performance; however, they generally do not include facility-level data or year-over-year trends for context.²⁹ Without this information, it can be difficult for management and policy makers to determine whether the program has been successful or know how best to allocate resources to improve service delivery.

Furthermore, the types and level of services provided by reuse providers is likely not the same as the City would provide. To provide management and policy makers with information necessary to maximize resource allocations and improve service delivery, we recommend that PRNS track and regularly publish measures of reuse program performance.

Recommendation #3: To provide policy makers with information about the Reuse Program in all districts, PRNS should include information on contracted and actual reported services by program activity for each service provider and facilities in their annual reuse updates.

²⁸ Generally, reuse program updates do not go to the full Council unless there is also a recommendation to add or remove a facility from the reuse list, or to make a change to the Reuse Policy. This happened most recently in 2014. Updates to the Neighborhood Services Committee occurred in 2016, 2014, 2013, 2012, 2010, and 2008 and provided a list of the facilities and providers. However, only three reports (2012, 2013, and 2016) included estimates of the number of participants, and one report (2014) included information an estimate of the total number of hours of service.

²⁹ In these reports, staff have reported anywhere from 13,000 to 26,000 reuse participants; however, since these figures were not based on performance reports, we were unable to verify these numbers (see Finding 2). Additionally, the City's Adopted Operating Budget does not include performance measures about the reuse program.

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Finding 2 PRNS Can Better Ensure Reuse Providers Deliver Promised Services

Summary

Under the City's Reuse Policy, PRNS is authorized to execute reuse agreements with service providers. These agreements typically include performance reporting and other requirements. For the past five years, PRNS has not regularly tracked performance under the agreements, or fees charged by providers. PRNS has only a few required performance reports on file, making it difficult for PRNS to assess whether providers are delivering services promised to the community. PRNS has also not kept all reuse agreements up to date and does not have current certificates of insurance for all service providers. Finally, PRNS has not ensured fulfillment of other agreement provisions, such as provider certifications that staff supervising children have received background checks or that providers only use fees to support on-site programming. We recommend that the reuse team develop procedures to monitor reuse service providers and immediately update all agreements and collect required documentation.

The City Contracts for a Variety of Services at Reuse Sites

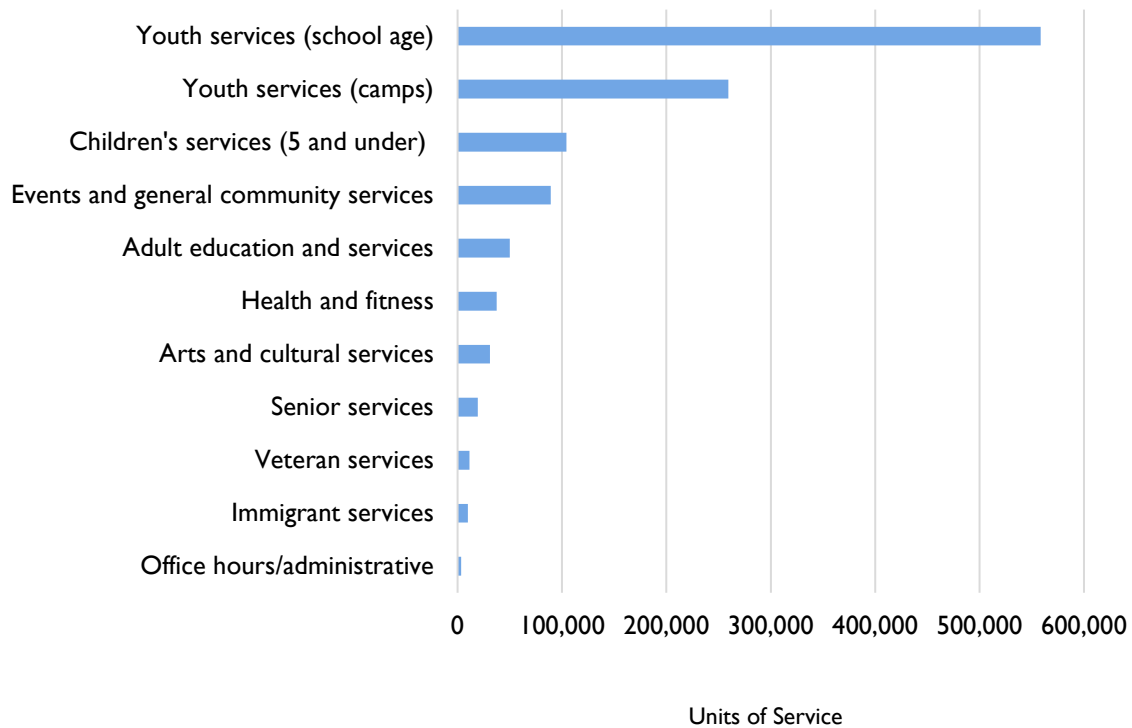
Providers participating in the reuse program are contracted to offer a variety of services. PRNS reported that these services and service providers were selected and negotiated based on community needs. Exhibit 6 shows the variety of contracted services by total units of service, which represents people-hours and is calculated as:

$$\text{Units of service per activity} = (\text{participants per session}) \times (\text{number of sessions per year}) \times (\text{hours per session})$$

Some services are broad, such as youth services, sports and fitness, or senior services, and generally housed in satellite facilities. Example providers include the Boys and Girls Club who offer a range of youth services at the Alum Rock Youth Center.

Some providers offer a narrower set of services and serve a targeted segment of the community. These often include cultural or small organizations such as San José Youth Shakespeare and the San José Astronomical Association at Hogue Park Neighborhood Center or the Eastern European Service Agency at San Tomas Neighborhood Center.

Exhibit 6: Estimated Annual Contracted Types of Service

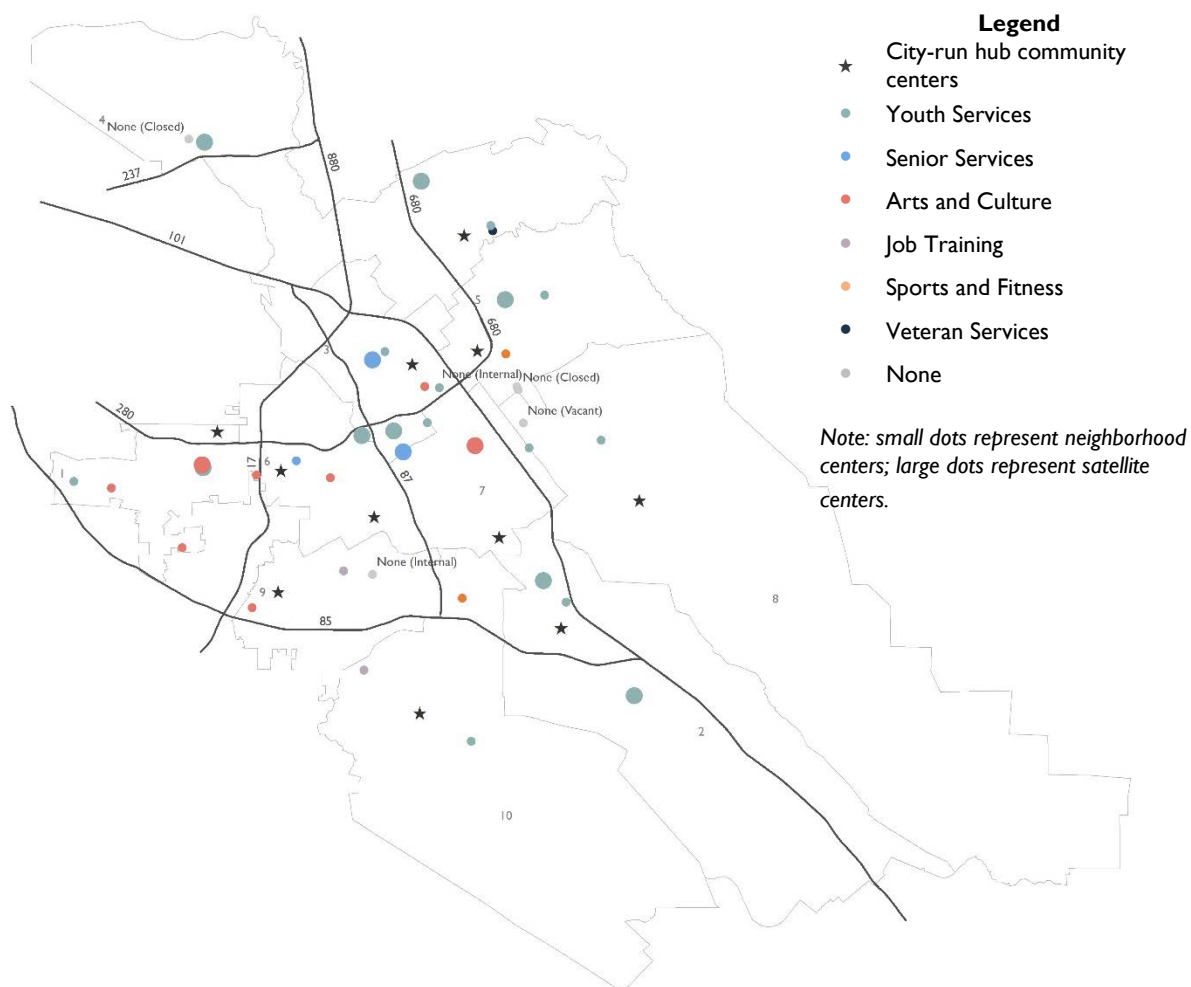


Source: Auditor compilation based on contracted scopes of service from reuse agreements on file (current and expired).

Note: Units of service are calculated as (participants per session) × (number of sessions per year) × (hours per session) per activity. During the audit, at least five service providers did not have a reuse agreement on file. As a result, the total units of service across all providers may not be not complete. This chart also does not show work2future's job training services at reuse facilities because their memorandum of agreement (MOU) does not include units of service.

Exhibit 7 is a map showing the primary focus of services offered at the City's reuse sites. See Appendix B for the full range of services contracted at reuse facilities.

Exhibit 7: Map of Reuse Sites Showing Primary Focus of Contracted Services



Source: Auditor compilation based on PRNS' reuse list, reuse agreements, subleases, and MOUs with service providers.

Note: This map only shows service providers' primary service focus. For a complete list of contracted activities by site, see Appendix B. Internal use is non-public facing City use. Hank Lopez houses gang intervention staff and Paul Moore houses park rangers.

PRNS Does Not Regularly Track Actual Services Provided in the Reuse Program

The reuse agreements include various terms and conditions for operation of reuse facilities in exchange for subsidized or free rent. This includes reporting actual units of services provided, submitting annual audited financial statements, and submitting requests for approval to modify services. Other documentation required to be submitted includes an active certificate of insurance and verification

of background checks for all person or persons who may be subject to such requirements under state law.³⁰

PRNS Has Few of the Required Performance Reports On File

To ensure reuse service providers are accountable for the services promised to the community under the reuse agreements, they are required to submit performance reports twice a year. These reports are to include:

- Actual units of service provided,
- Unduplicated participants served during the reporting period,
- Results of client satisfaction surveys,
- Revenues collected and expenses incurred in operating the facility,
- A narrative section to describe the status of programs provided, and
- Planned activities (a brochure or a schedule of planned activities for the next reporting period).

As part of our audit, we reviewed all available semi-annual performance reports from the past five years submitted by service providers to gain an understanding of actual services provided at the centers. In addition, we visited a sample of 14 reuse sites, interviewed 16 service providers, and sent a survey to most providers to better understand services offered (3 service providers did not receive the survey).³¹ Based on this, we found:

- Service providers expressed appreciation for the reuse program,
- Service providers are providing a variety of services and programs,
- Service populations differ, and
- The amount of services and hours open varies widely.³²

See Appendix B for a list of contracted services.³³

PRNS has very few performance reports on file. For example, in 2017, PRNS should have collected 56 performance reports (two reports from each reuse service provider per year). However, PRNS provided just ten reports. These reports showed that some service providers met their contracted units of service,

³⁰ Background checks are to comply with state laws surrounding employees or volunteers who are involved in the care and security of minors, children, the elderly, the disabled, or the mentally impaired.

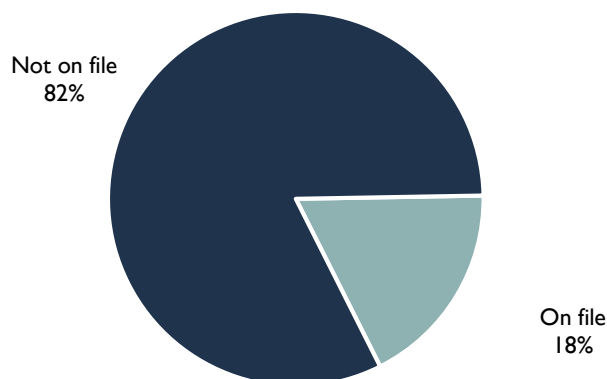
³¹ PRNS did not have an email address on file for these service providers.

³² During our drop-in site visits, the buildings frequently needed to be opened for us. In some instances, there were no staff from the provider on site. It appears that most neighborhood centers do not have drop-in hours.

³³ Full list of services is based on contracted services from reuse agreements, performance reports submitted from 2015-2017, service provider surveys and interviews.

but no service providers met all contracted services (e.g., had reduced office hours or services).³⁴

Exhibit 8: PRNS has Very Few Performance Reports on File



Source: Auditor analysis of 2017 performance reports on file with PRNS.

Without regular reporting on performance, PRNS cannot track service providers' performance against promised community services. This also limits PRNS' ability to assess the effectiveness of the reuse program generally.

The Reuse Team Should Implement Procedures to Monitor Reuse Providers

The reuse team does not have procedures for monitoring service providers to ensure they are meeting the terms of their agreements. In addition to having few performance reports on file, the team has no established guidelines for conducting site visits, or for requesting other required documentation.

During the audit, when we requested copies of agreements, performance reports, or other documents, the reuse team did not have these documents readily available. According to Council Policy 7-12, the reuse team is responsible for ongoing contract management. The reuse team does not appear to have a master contract file that would organize important documents for reuse providers.

PRNS' Strategic Partnership Unit, which manages other grant agreements for PRNS, has a contract management handbook available for its staff. However, the reuse team does not appear to have utilized or adapted the contract management guidelines for use. Among other guidelines, the handbook recommends that "each

³⁴ Though PRNS had few reports on file, most reuse service providers we interviewed reported knowledge and awareness of performance reports and their deadlines.

contract should have its own 'Master File' containing all documents related to the contract...in addition to a fully executed copy of the contract."

Recommendation #4: PRNS should establish and implement procedures to regularly monitor reuse service providers. The procedures should identify roles and responsibilities for staff regarding contract management including establishing a master contract file with key documents, site visits, collecting performance reports, and tracking performance.

Reuse Providers Have Modified Services Offered Without City Approval

It appears that providers modified and, in some cases, reduced services that were outlined in the agreements. For example, one service provider's contracted scope of service includes open hours Monday-Thursday, 10:00 AM – 6:00 PM and Friday, 10:00 AM – 9:00 PM. However, based on their website and in response to our survey, their actual open hours are far less. Actual start times appear to be 2:30 PM rather than 10:00 AM, a four and a half-hour difference (a total of 22 hours fewer per week than expected).

Under the standard reuse agreement, if a provider wants to modify the scope or schedule of services, they must apply in writing to PRNS for approval to alter the services. No reuse providers appear to have done this, and without regular performance reporting and monitoring procedures, it can be difficult for PRNS to identify program modifications. Absent receipt and review of performance reports, there is no mechanism besides site visits for reuse staff to identify service-level changes.

It should be noted that although some changes may be more significant than others and lead to an amended scope of services in an agreement, some changes may not warrant an amendment. For example, one service provider cancelled an annual event, but not the regular, day-to-day services they offered. Cancelling day-to-day services will significantly decrease services hours over time, whereas cancelling a one-time annual event will not decrease service hours as much. Establishing guidelines for approving changes to the scope of service is important to ensure reuse providers are treated fairly and equitably.

Recommendation #5: PRNS should revise reuse service provider performance reports to require information about changes in programming and staffing; and establish guidelines for approving changes in scopes of service, or implementing corrective actions if a reuse provider is not adhering to the terms of the agreement.

Not All Reuse Service Providers Have Active Property Use Agreements or Satisfy Key Agreement Provisions

At the time of our audit, PRNS did not have an active property use agreement with at least seven reuse service providers. In some cases, agreements had expired and had not been renegotiated or extended; in other cases, there were no agreements on file.³⁵

It is important to have active agreements because, as noted in the Reuse Policy, “the property use agreement will set forth the terms and conditions of the facility use for Community Center Reuse Service Providers.” In addition, agreements allow PRNS to ensure reuse service providers are held accountable for providing public benefits as promised.

During the audit, PRNS began to put in place short-term temporary agreements until full agreements could be completed. These agreements are PRNS’ standard facility rental agreement with an attached scope of services, and do not include the standard language of the Reuse Policy. They also do not appear to have term dates. According to staff, rental agreements can last up to six months.

Recommendation #6: PRNS should immediately update all agreements, in coordination with the City Attorney’s office, for all service providers under the reuse program.

At Least 14 Service Providers Did Not Have A Current Certificate of Insurance

Under the Reuse Policy, a reuse service provider must “comply with the City’s insurance requirements as determined by the [City’s] Risk Manager.” A certificate of insurance must be submitted by service providers to verify that they are properly insured against claims for injuries or damages that could occur in connection with programming. During the audit, at least 14 service providers did not have a current certificate of insurance on file with the City. In addition, PRNS has not collected accident reports from service providers.

Recommendation #7: PRNS should immediately collect active certificates of insurance from all service providers under the reuse program.

³⁵ Ordinarily, extensions of expired lease terms (holdovers) rely on tacit agreement to continue terms with the payment and acceptance of rent. Because reuse providers are currently not paying rent to the City, it is not clear whether the terms of these agreements remain valid after expiration. Additionally, the City limits the term of property use agreements for bond-financed sites to 90 days. We identified a bond-financed site on an expired multi-year agreement as well as a non-bond financed site restricted to a 90-day agreement. We referred these instances to the City Attorney’s Office, PRNS, and the Finance Department.

Service Providers Have Not Been Submitting Required Certifications Regarding Background Checks

Under the standard reuse agreement and in compliance with state law, “[a reuse service provider] has or will conduct a criminal background check as provided in California Penal Code Section 11105.3, as well as an FBI criminal database background check” for everyone (paid or unpaid) offering services that “involve the care and security of minors, children, the elderly, the disabled, or the mentally impaired.” The standard reuse agreement requires that service providers send a letter to the City certifying that a proper background check has been conducted for a list of all person or persons (paid or unpaid).³⁶

Reuse service providers that we interviewed reported awareness of backgrounding procedures or stated that they were conducting background checks.³⁷ PRNS, though, has not collected the required letters from reuse service providers confirming background checks, as required under the reuse agreements.

Recommendation #8: PRNS should immediately ensure verification or certification of background checks of reuse providers’ paid and unpaid staff, in accordance with the reuse agreement.

Some Providers May Require Child Care Licensing Under State Law

Service providers who offer child care³⁸ should be licensed with the California Department of Social Services Child Care Licensing Program, unless specifically exempted. For example, a preschool program run by a nonprofit organization is required to be licensed as such; whereas a before and after-school program operated by a public school is specifically exempted.

³⁶ According to PRNS and the City Attorney’s Office, this certification requirement exceeds the standard backgrounding requirements for contracts of other similar programs, like BEST.

³⁷ The California Department of Social Services (DSS) periodically evaluates state-licensed child care providers. Part of the state’s facility evaluation process includes a review of staff records to check that all appropriate staff or other individuals receive proper background checks. The DSS website shows that, in 2017, for two reuse providers that provide state-licensed child care, no deficiencies were found in this area (see www.cdss.ca.gov).

³⁸ State law defines ‘child day care facility’ as “a facility that provides nonmedical care to children under 18 years of age in need of personal services, supervision, or assistance essential for sustaining the activities of daily living or for the protection of the individual on less than a 24-hour basis.” However, there are numerous exemptions. According to the state Community Care Licensing Division, the distinction between exempt and nonexempt child care is not always clear, especially for school age children. Generally, the Division would need to send an inspector to a facility to determine whether programming is recreation (activity-based), or providing care and supervision.

There are various exemptions, including organized camps, programs under the state's After School Education & Safety Program (ASES),³⁹ and programs that are deemed solely recreation programs as opposed to child care.

During the audit, through interviews and site visits, we noted some providers were licensed with the Department of Social Services or had identified why they were exempted from licensure (e.g., ASES funding). Although the reuse agreement does not require reuse service providers to provide proof of childcare license or reasons for exemption, we found PRNS currently does not have procedures to ensure all child care or after-school programs are properly licensed.

Recommendation #9: To ensure proper licensing of daycare programs, including after school programs, PRNS should modify its reuse agreements to require service providers to either provide proof of licensure or certify they are exempted from licensure under the Department of Social Services guidelines.

Member-Only Benefits, High Fees, and Revenues Used for Non-Program Activities Can Reduce Public Benefit

Under the Reuse Policy, service providers:

... will provide a minimum of needed free, low-cost, fee-for service, sliding scale, or cost reimbursement programs, services, and other activities that primarily benefit San José residents.

Because of this, the reuse policy and agreement specifically do not allow certain activities that could hinder the public nature of reuse facilities. Unfortunately, we noted instances where providers had undertaken such activities,⁴⁰ including:

- **Renting out reuse facilities:** Some reuse providers rent space to other groups or organizations for a fee or donation. These rental fees do not go to the City and generally have not appeared on the few performance reports that PRNS has on file. During the course of our review, one reuse provider described loaning facility keys to a group that they had rented space to, which raises issues of security.

³⁹ ASES is a state program that “provides funds to schools and districts that collaborate with community partners to provide safe and educationally enriching alternatives for children and youths during non-school hours.”

⁴⁰ We referred these instances to PRNS.

- **Charging fees:** At least three service providers appear to charge fees for services that are above standard City fees for similar City services.⁴¹ It should be noted that based on a 2014 PRNS community survey⁴² related to satellite centers, cost prohibitive services were a concern at facilities with organizations who charge for their programs.
- **Extra revenue generated did not go back into site programming:** One organization reported collecting significantly more revenue than expenses incurred. Instead of further subsidizing on-site programs or on-site improvements, they confirmed excess revenues were being used towards programs at other non-reuse facilities (i.e., the free use of the reuse facility was subsidizing programs and participants elsewhere).
- **Membership fees:** At least 10 service providers offer membership at a cost that provides members additional benefits. Though the standard reuse agreements do not prohibit service providers from having memberships, these benefits exclusively for members can limit access to all members of the public which contradicts the Reuse Policy. Membership fees range from \$20 to more than \$100. Only a handful of these providers advertise financial assistance on their website that could offset the membership fees.

According to the standard reuse agreement, if fees and charges or other revenues collected by service providers are not spent in accordance with the agreement, they are to be paid to the City. To date, PRNS has not enforced those terms of the agreements.

Recommendation #10: To ensure service providers in the reuse program are abiding by the provisions of the City's Reuse Policy, PRNS should:

- a. Implement corrective actions for current service providers who offer fees above City standard rates, report revenues not being reinvested in reuse facility programs, rent facilities out on their own behalf, or provide benefits solely to members, and**
- b. Develop procedures to review, on an annual basis, reuse providers' fee levels; revenues and expenses; and whether any benefits are offered solely to members and implement corrective actions.**

⁴¹ Under the Reuse Policy, the PRNS Director has the authority to charge service providers full or partial rent or fees to cover maintenance and utilities if their services are not free or reduced-cost. The reuse agreement has stronger language regarding service provider revenues in excess of expenses: "Any fees and charges or other revenues collected by [the provider] and not expended in accordance with the provisions of this agreement shall be paid to [the] City...within thirty (30) days after the expiration or sooner termination of this agreement."

⁴² PRNS assessed community needs for the 2015 RFQ of satellite centers based on 14 community meetings, attended Neighborhood Association meetings, and utilized an online survey to engage the community and obtain their feedback.

Finding 3 Opportunities Exist to Improve Efficiency of Reuse Management

Summary

The reuse program has grown over time. The number of reuse sites more than doubled since it began and the City has introduced a new “hybrid” model, with both service providers and City staff on-site. With reuse facilities varying greatly by size, service providers, and types of services offered, this growth has made facilities management and contract monitoring more complex. Currently, PRNS has 1.6 FTE to monitor providers at 34 reuse sites. To reduce the administrative burden of the program, we recommend that PRNS simplify reuse agreements for smaller neighborhood centers while setting minimum standards of service at larger satellite centers. PRNS should also streamline management of facility use by formalizing other types of subsidized facility use and using a single reservation system to track rentals and provider schedules. Finally, PRNS can improve community awareness of activities at reuse facilities by including service provider links on the City’s website and advertising City-run programs at reuse facilities (similar to how it advertises for hubs).

PRNS Should Modify Its Standard Reuse Agreement to Account for the Difference Between Neighborhood and Satellite Sites

The reuse program has changed over the last decade. The number of facilities and variety of services offered to the community has increased, and a hybrid staffing model has been introduced. As described earlier, reuse facilities vary greatly by size, service providers, and types of services offered.

The Program Includes Both Small Neighborhood Centers and Larger Satellite Centers

PRNS categorizes facilities into two categories:

- **Neighborhood centers** are less than 10,000 square feet of space. Prior to the reuse program, neighborhood centers were described in the City’s Adopted Operating Budget as “generally non-staffed small facilities available for the community to rent.”

Neighborhood centers generally house organizations who offer targeted types of services. For example, at Noble House, the Veterans Supportive Services Agency, Inc. (VSSA) offers support services for veterans, and the San José Astronomical Association at Hough Park Community Center offers astronomical viewings and lectures.

- **Satellite centers** are larger facilities, with roughly 10,000-20,000 square feet of space. Satellite centers can house multiple service providers. Providers at satellite centers are often larger organizations with multiple branches such as the Boys and Girls Clubs, Catholic Charities, and the YMCA. Satellite centers offer a broad range of services to the community. For example, the Edenvale Community Center has multiple rooms and a gym, housing after-school programs, childhood development workshops, and basketball leagues.

In recent years, the City has also begun using a hybrid model at four reuse sites, where services are offered by both service providers and the City. The hybrid model was created to address service gaps “in response to the community feedback received and the City Council action taken as part of the 2015-16 Budget process.” For example, the City provides extended hours and youth services at gang “hot spot” areas recognized by the Mayor’s Gang Prevention Task Force.

PRNS Has One Standard Reuse Agreement, Regardless of the Scope of Service

The City’s Reuse Policy recognizes that there is variation between service providers, noting:

The expected level of financial capability and expertise of a Service Provider increases with that Provider’s proposed scope of services, activities, and the potential liability assumed by the Service Provider.

Additionally, two separate Request for Qualifications (RFQs) were issued for satellite facilities and neighborhood facilities, requiring different levels of service provider capacity. Respondents were evaluated separately on their qualifications for managing the different types of sites (see Finding 4 for more on the 2015 and 2017 RFQs).

Despite this, the City uses one standard reuse agreement for all service providers and all types of facilities. The current agreement does not recognize the variation between types of service providers and requires the same level of reporting (such as submitting audited financial statements) regardless of the size of the organization or the relative value of the subsidy received. PRNS could potentially improve the efficiency of contract monitoring by tailoring agreements to service providers and facility types.

For Smaller Reuse Sites, PRNS Could Reduce Administrative Burden

In general, smaller organizations are housed in neighborhood centers. They provide a limited scope of services and some of the standard reporting requirements may be burdensome and unnecessary. For example, some smaller

organizations may not have the resources to submit annual audited financial statements as required under the standard agreement.⁴³

Also, requiring small organizations to report performance using the same “units of service” metric as larger organizations assumes some comparability between the services provided in each type of center. It does not account for their limited scope of services, which is often targeted to a specific population. For example, rehearsal and production of theatrical performances by San José Youth Shakespeare at Houge Park is different in scope than the broad services at satellite centers. Satellite facility services can include after-school programs, recreational or fitness programs for youth and adults, educational offerings, and open, drop-in hours for large audiences. Simplifying neighborhood center reporting requirements to better reflect activities can allow for more efficient monitoring by PRNS and reporting by service providers.

In addition, having the same reporting requirements of all providers puts a burden on PRNS staff to monitor each to the same level (see Finding 2). Currently the reuse team has just 1.6 FTE to monitor agreements at the reuse facilities.⁴⁴

For these reasons, we believe PRNS should modify the standard reuse agreement to account for the differences between the types of reuse facilities and revise reporting requirements accordingly.⁴⁵

Recommendation #11: To account for the differences between satellite and neighborhood reuse facilities, PRNS should create a new standard reuse agreement for neighborhood sites that revises the scope of financial and program reporting requirements to allow for more efficient reporting and monitoring.

PRNS Should Identify Minimum Standards of Service at Satellite Sites

In contrast to neighborhood centers, satellite centers can host multiple providers offering a wide range of programs. Because they are generally larger and newer facilities, satellite centers also likely have larger subsidy values. In exchange for

⁴³ In accordance with the City’s Open Government provisions, if an organization receives a subsidy exceeding the City Manager’s contracting authority, it is required to submit financial reports and post them on their website. Given the age and subsidy value of neighborhood centers, it is likely that rent subsidies provided to reuse service providers housed at neighborhood centers do not exceed the City Manager’s contracting authority amount; however, they are still expected to provide audited financial statements under the terms of the reuse agreements.

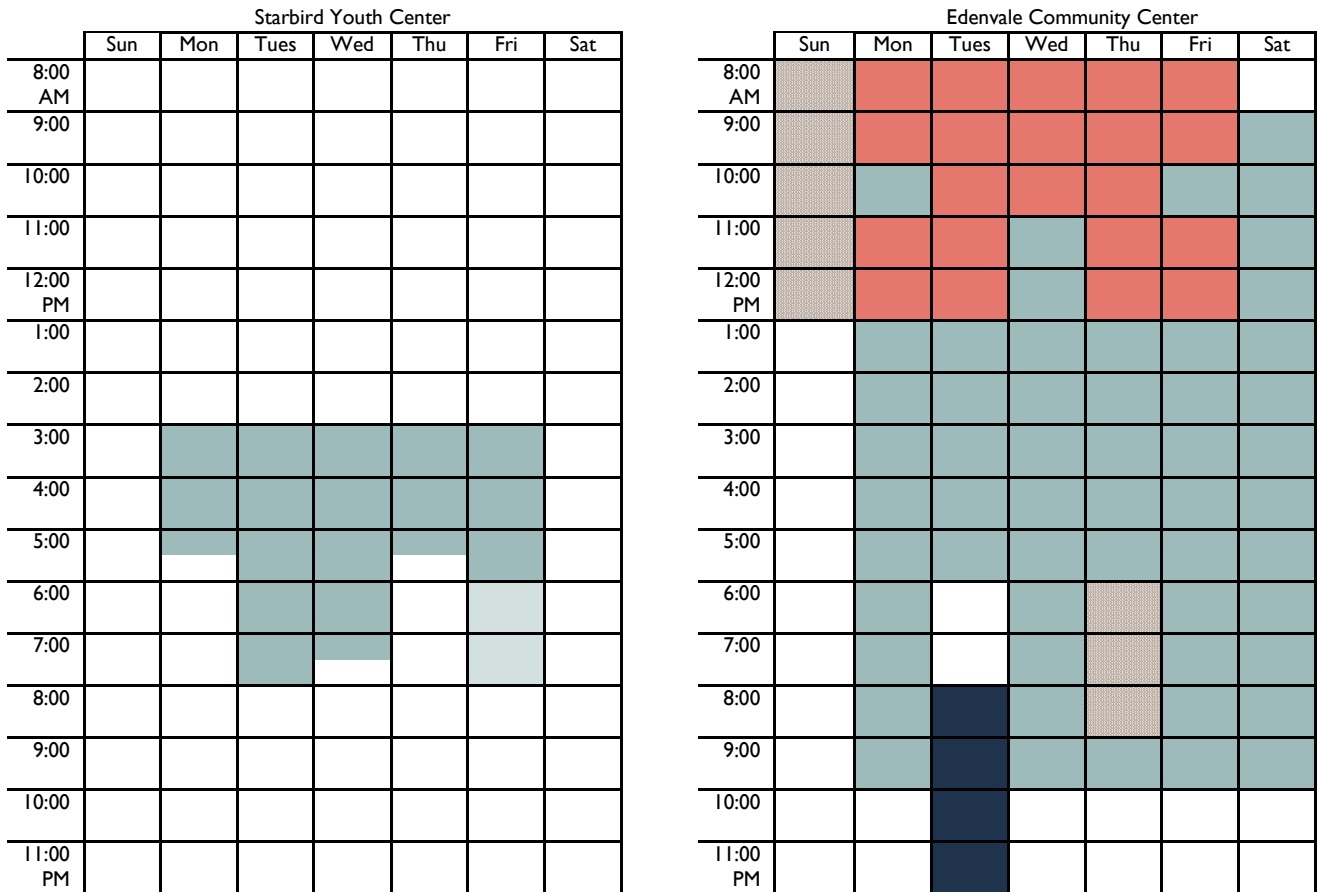
⁴⁴ Some agreements have included multiple service providers at one facility under one lead provider, while other agreements are separate between two providers housed at the same reuse facility.

⁴⁵ Under the Reuse Policy, “The PRNS Director will develop and modify from time to time, a property use agreement for Community Center Reuse Service Providers in consultation with the City Attorney’s Office. The property use agreement will set forth the terms and conditions of the facility use for Community Center Reuse Service Providers.”

subsidized or free rent for such facilities, the City should expect a minimum level of service hours delivered from service providers.

Contracted hours vary across satellite centers based on the negotiated scope of services in each service provider's reuse agreement (see Exhibit 9).

Exhibit 9: Some Satellite Facilities Have Very Limited Hours



Source: Auditor analysis of contracted scopes of service, PRNS' internal calendars, and service provider survey.

Key: ■ Service Provider ■ Office Hours (Internal) ■ Facility Rental (Recurring) ■ School Use ■ City Programming

Note: The above sites vary in location, square footage, and number of service providers. Starbird is roughly a 4,000 square foot facility with a single provider, while Edenvale is a 20,00 square foot school facility with a gym and three service providers.

During a 2014 community outreach process for satellite centers, residents emphasized the need to “increase/maximize community access” and PRNS reported prioritizing that as a goal when selecting service providers.⁴⁶

Under the Reuse Policy, service providers are expected to demonstrate that they will provide a minimum level of programs or services that primarily benefit San José residents. However, currently there are no established minimum standards or targets in the reuse program for services at larger satellite centers. For example,

⁴⁶ See Finding 4 for more information on service provider selection.

there are no required drop-in hours or a minimum number of units of service providers should achieve.

Recommendation #12: PRNS should establish targeted minimum standards for performance and open hours for satellite centers and work with current providers or potential providers from the satellite reuse pool to bridge gaps at satellite centers that do not meet those targets.

PRNS Should Formalize Other Types of Facility Use and Streamline Their Program Management

Reuse facilities not only house reuse service providers, but many other organizations as well. These organizations are either under another formal agreement with the City or have no agreement with the City. Other formal agreements at reuse facilities include a memorandum of agreement (MOU), grant, sublease, or rental.

Some Organizations Are Under a Grant, MOU, or Sublease Agreement With the City

Some grantees under the Safe Summer Initiative Grant (SSIG) or San José Bringing Everyone's Strengths Together (BEST) programs receive space free of charge upon request from PRNS' grants management team. For example, the Hip Hop Chess Federation, an SSIG grantee, uses part of the space at the Gardner facility without a property use agreement. Another example is Catholic Charities, which operates at the Spartan Keys reuse facility solely on a grant agreement which is monitored by PRNS' Strategic Partnerships Unit (not the reuse team).

Some organizations are under an MOU or sublease agreement with the City. Korean American Community Services operates Sherman Oaks under a sublease agreement created prior to the reuse program. Work2future operates Kirk and Almaden Winery under an MOU.

Some Organizations Are Under a Rental Agreement (One-Time or Recurring) With the City

Other organizations operate at reuse facilities under a one-time or recurring rental agreement. Some of these organizations have free facility access. However, there is not a policy that clearly outlines criteria for free rentals at all reuse sites. These determinations are usually made by the reuse manager.

It should be noted that under a reuse agreement (as opposed to a rental agreement), there are criteria for free and paid use for reuse service providers. These determinations are also made by the reuse manager.

“Grandfathered” Organizations Do Not Have an Agreement With the City

An additional subset of groups using reuse facilities do not have formal agreements with the City. PRNS reported that these groups are “grandfathered” groups. According to PRNS, “grandfathered” groups have been using the facility for many years, prior to the reuse program.

“Grandfathered” groups do not appear to be held to any terms or conditions. PRNS staff report that they try to have reuse service providers incorporate grandfathered groups and their programs into their reuse agreement instead. Although some service providers informally work with “grandfathered” groups to schedule use of space, most reuse agreements have not included these groups.⁴⁷ Examples of “grandfathered” groups range from less formal organizations (such as neighborhood associations) to formal non-profits (such as Guitars Not Guns or Alcoholics Anonymous).

Recommendation #13: PRNS should ensure that all organizations receiving free or subsidized rent have a current property use agreement and be formalized under the reuse program to ensure consistency.

PRNS Can Reduce Scheduling Conflicts by Using a Single Rental System

There are several ways space at a reuse facility can be reserved. Either:

1. A PRNS rental coordinator responds to requests by phone call, email, or in-person at a center. The coordinator then processes the reservation in ActiveNet, PRNS’ online recreation software. (This system is internal to PRNS. It allows rental coordinators to see what rooms are available at what times, and process payment.) The rental coordinator may then notify the reuse coordinator of the booking
2. Reuse providers may request additional space or use of space outside of their contracted hours through the reuse coordinator (who does not have access to ActiveNet). The reuse coordinator may then relay the request to the rental coordinator by updating a separate Excel-based ‘master’ calendar, which the rental coordinator may manually transcribe into ActiveNet. (These requests for additional use of space are generally not subject to rental fees.)

⁴⁷ Lead providers are “responsible for the overall operations of the agreed-upon site, including scheduling of complementary Program Operator services, relationship management, and submission of biannual reports of services delivered by the Lead Operator and Program Operator(s).”

The current processes require duplicate effort by staff to maintain multiple calendars and errors have occasionally led to double booking. Additionally, reuse staff report that the master calendar is time consuming and unreliable.

Recommendation #14: To more efficiently book meeting spaces, PRNS should utilize its online recreation software to track schedules of service providers or other users of reuse facilities.

PRNS Can Improve Community Awareness of Reuse Programs

Currently, the City website has limited information about activities at reuse sites. Rather, there are some provider-oriented FAQs about the reuse program (whether providers must pay, the selection process, types of use, and who can use the facilities). The facility information posted on the City's website is limited to name, image, address, and a City phone number (see Exhibit 10).

Exhibit 10: The City Website Does Not Advertise Reuse Facility Hours or Provide Links to Service Provider Websites

Home > Facilities

Facilities Feature Overview

View all facilities

Edenvale Community Center

Overview
This reuse facility is located in Council District 2 and is 20,190 square feet in size.

Community Center Details

- Bus Line: 42
- Dedicated ECR Rooms: 2
- Internet and WiFi is available
- Number of Classrooms: 3

Programs Offered

- Classes
- Early Childhood Recreation

Edenvale Community Center
330 E. Branham Ln.
San Jose, CA 95123

Contact
408-795-1639

Hours
Open as needed

Rating
★★★★★
This facility has not yet been rated.

Source: City of San José website

By contrast, for hub activities, the City has an online portal (sjregistration.com) where users can search for activities and filter by location and hour. PRNS also publishes seasonal brochures for classes and events at hub community centers. Though the City offers programming at some reuse sites (sometimes exclusively),

not all City-run programs are advertised on the City's class registration portal or in community brochures.

The City could improve awareness of City programming at reuse sites by including PRNS-run activities in the City's online registration portal and within its seasonal community brochures.

Recommendation #15: PRNS should advertise City programming at reuse sites, similar to how it advertises City programming at hubs.

Awareness of Programs, Service, and Hours of Operation

The City could also improve awareness of provider-run activities at reuse facilities. While the standard reuse agreement requires that service providers "provide, at a minimum, program marketing publications detailing programs, services, events, and hours of operation," this requirement has not been monitored or enforced. Four reuse service providers did not appear to have an active online presence. Some facilities had very little or no information posted outside the facility, as shown in Exhibit 10. Based on interviews, providers' primary means of outreach is by word of mouth.

Exhibit 11: Signage Was Obscured or Missing at Some Reuse Facilities



Source: Auditor photographs.

The City also requires service providers offer free or reduced-rate programming as a condition of their subsidized rent. While most of the service providers that we interviewed indicated they would not turn away people who are unable to pay, few providers advertised this policy. As a result, some people may not participate in programming at reuse facilities.

The City could improve community awareness of activities at reuse facilities by posting contracted hours and a link to service provider websites, as available, to its reuse facilities webpage. It should also advertise the City policy that financial assistance be available at subsidized reuse sites. This would be less time consuming than monitoring marketing requirements.

Recommendation #16: To facilitate community awareness and use of reuse facilities, PRNS should update the reuse facilities webpage to include links to service providers' websites and facility hours, and reference to financial assistance requirements.

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Finding 4 PRNS Should Ensure Transparency in the Selection Process for Reuse Providers

Summary

The Reuse Policy states that service providers shall be selected through an open and competitive process, with the goal of maximizing the benefit to residents. In 2010, City Council temporarily suspended competitive processes for reuse in response to the magnitude of the budget crisis faced by the City, allowing PRNS to use the Municipal Code's provisions for Unique Services Purchases. The temporary suspension has since been extended through FY 2019-20. In 2015 and 2017, PRNS issued two Requests for Qualifications (RFQs) to identify a pool of potential reuse service providers for satellite and neighborhood centers. Despite establishing this pool, PRNS opted to use unique services to select its current reuse providers. While these selections were not prohibited under the unique services authority, some highly rated respondents were passed over for others with much lower evaluation scores. In addition, some of the selected providers did not submit RFQ proposals, and in at least two instances, new agreements were signed during the RFQ process and before providers had submitted proposals. We recommend that PRNS document the reasons behind the 2015 and 2017 provider selections, as required under the Municipal Code's Unique Services Purchases provisions. PRNS should also use the list of qualified providers that resulted from the 2015 and 2017 RFQs in the event space opens up prior to the next RFQ.

The Process for Selecting Service Providers at Reuse Facilities Should Be Transparent

The Reuse Policy states that "Service providers shall be selected through an open and competitive process" with a goal of maximizing the benefit to San José residents.⁴⁸

The City's RFQ Procedures Ensure Openness and Transparency in Awarding Contracts

The goal of a Request for Qualifications (RFQ) is to gather information regarding organizations' capabilities and qualifications to select the most qualified applicants to assist departments in completing projects. The City has a standard RFQ process, outlined in the San José Municipal Code and the Finance Department's Request for

⁴⁸ When the reuse program was still in development, the Facility Reuse Community Advisory Task Force recommended that individual neighborhoods have the opportunity to provide input on operator selection. The City first devised an RFQ for reuse service providers in 2005-06 and implemented the process in 2006-07. In 2008, City Council approved Council Policy 7-12, which authorized PRNS to solicit service providers through an open and competitive process.

Proposals (RFP) manual, designed to ensure contracts are awarded fairly and transparently. Under the San José Municipal Code:

The procurement authority shall award the contract in accordance with the award factors and respective weights outlined in the solicitation. The award decision shall be documented and available to public inspection (4.12.310).

The RFP manual establishes procedures to ensure the City's request is well marketed, that the playing field is even (all respondents have the same information going into and during the proposal process), and that informed, impartial evaluators score each proposal based on standardized criteria. The City's RFP manual underscores the importance of the evaluation process in safeguarding the public interest, noting "evaluation team members perform a service not only to the Department but to the general public as well."

The Competitive Selection Process for Service Providers Was Temporarily Suspended

In 2010, the City Council temporarily suspended the open and competitive process for reuse provider selection, noting that:

... due to the magnitude of the budget crisis faced by the City ... an unusual or unique situation exists that makes the application requirements for competitive procurement lengthy, complex and contrary to the public interest."

This suspension was to "allow the City to respond to the City's budget crisis and to reduce the impact of the proposed closure of 21 additional community centers in the 2010-11 budget". Although the suspension was deemed temporary by Council, it has lasted eight years and has been renewed three times. It now extends through 2019-20.⁴⁹

PRNS Conducted RFQs in 2015 and 2017 to Establish a Pool of Reuse Service Providers

In 2015 and 2017, PRNS issued RFQs for the satellite and neighborhood facilities to establish a pool of potential providers for the different sites. While the RFQ documentation stated that qualified providers would not be guaranteed a space, it also specified that:

The City will enter into negotiations with qualified Service Providers based on proposal ranking and needs of desired service location. Selected Service Providers' final placements will be based on the best combination of negotiated factors which may include, but are

⁴⁹ Because of the suspension of competitive processes for provider selection, the selection process appears similar to that outlined in the Council Policy for Below Market Leases, with the exception that below market leases require Council approval, whereas the selection of reuse providers does not (see Background for more information).

not limited to: services offered, support of community needs, and alignment with objectives...

Despite establishing a pool of potential providers for reuse sites, PRNS continued to use the unique services process for its current reuse providers. According to PRNS, placements were based on staff determination of community needs as allowed under the unique services process. As such, evaluations of RFQ respondents by objective evaluators were not used to place current providers.⁵⁰

PRNS has explained that the intent of the RFQ was not to replace current service providers, rather it was to identify potential providers. Nevertheless, RFQ documentation explicitly stated that current reuse providers would not receive preference.

As a result of not using the RFQ results for the current selection of providers, the lowest rated respondent in the 2015 RFQ was selected over others who had scored higher in the evaluation process, and three of the top five rated respondents to the 2017 RFQ were not selected.⁵¹

Also, in two instances in 2017, contracts with existing providers were signed during the RFQ process, before the providers had submitted proposals. Finally, issues identified in a community engagement process prior to the 2015 RFQ appear to not have been addressed (e.g., more hours at one facility, high fees at another).

PRNS Should Make its Selection Processes More Transparent

Under the Municipal Code, unique service procurements are limited and require documentation on selection:

Any special procurement under this section shall be made with such competition as is practicable under the circumstance. A written determination of the basis for the procurement and for the selection of the particular contractor shall be included by the Procurement authority in the department files (4.12.235).

The City's guidelines on unique service procurement justification, developed by the Finance Department, further clarify that a service's "uniqueness" or a past or existing relationship with the vendor does not justify a unique service. The

⁵⁰ The evaluation criteria included: experience and qualifications; program design and approach; community impact; and environmental stewardship.

⁵¹ The example organization that was selected in the 2015 RFQ process had a score of 14 out of a possible 100 (the next lowest respondent had a score of 47). In the 2017 RFQ example, existing providers who scored lower than the top five or did not even apply were given new contracts.

guidelines reiterate that unique service procurements “should generally be one-time versus ongoing.”⁵²

As described earlier, according to PRNS the basis for past selections has been based on community needs and an assessment of which organization can best meet those needs. However, those determinations have not been documented as required under the Municipal Code.

Recommendation #17: PRNS should document reasons for selection and placement of current service providers as unique services as required by the Unique Services Purchases section of the Municipal Code and in keeping with Finance Department guidelines.

Not All PRNS Staff Involved in Provider Selection Are Required to File Form 700s

Under the state Political Reform Act, employees who participate in the making of “governmental decisions” are required to disclose any economic interests that could be affected by those decisions. Some individuals in PRNS who were involved in the award of reuse agreements were not in a designated position in the City’s Conflict of Interest Code and, as such, not required to file Statements of Economic Interest.

Recommendation #18: PRNS should work with the City Attorney’s Office to designate in the City’s Conflict of Interest Code those positions involved in the award of reuse agreements, which will require filing of Statements of Economic Interest (Form 700).

PRNS Should Use its Existing RFQ Submissions to Select Future Reuse Providers

In our opinion, the ongoing application of the unique services provisions to award subsidized facility usage undermines the protections a formal RFQ process affords. As a result of the 2015 and 2017 RFQ processes, PRNS now has assembled a qualified pool of organizations from which to select future reuse providers.

In the future, as reuse sites become available, PRNS should use the pool by establishing procedures for selection that follow what was included in the original RFQs. Namely, that the City will “enter negotiations with qualified providers based

⁵² It should be noted that there has been little turnover among providers in the facilities, and providers have had contracts extended or renegotiated multiple times. In addition, other groups who receive free use of the facilities without formal agreements (e.g., “grandfathered” groups, see Finding 3) also did not go through competitive processes. Favoring current service providers could be of concern because the City’s Charter limits private use of parkland facilities to three years. Longer term use requires a majority vote of the public. This is why most reuse agreements are limited to three-year terms. Renewing these agreements on an ongoing basis, without competitive process, undercuts this restriction.

on proposal ranking and needs of [the] desired service location,” and document departures from the use of the results as required by unique service authority.

Recommendation #19: To establish a process for future placements of reuse providers, PRNS should use the list of qualified providers that resulted from the 2015 and 2017 RFQs in the event space opens up prior to the next RFQ. In addition, PRNS should document any departure from the use of the results for the selections.

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Conclusion

The reuse program began in FY 2004-05 as a way to address a disconnect between newly available capital funds and limited operating budgets. The program has grown in response to economic downturns and staff reductions; the number of reuse sites more than doubled in FY 2010-11, as the City faced unprecedented budget cuts. Almost ten years later, outside non-profits/organizations still operate 27 reuse facilities. As PRNS updates its long-term strategic plan, PRNS should also take the opportunity to reset expectations and evaluate options for the future of the program, and should collect facility-level data to make strategic decisions about the City's assets and the future of the reuse program.

In the meantime, PRNS can better ensure that service providers meet their contracted terms by establishing and implementing procedures for regular monitoring and establishing guidelines for corrective actions. They can also improve efficiency of reuse management by tailoring agreement terms to the facility size and scope of services offered, and setting minimum standards of service for larger facilities. PRNS should also make the service provider selection process more transparent and document the reason for service providers' placement at particular facilities.

RECOMMENDATIONS

Finding 1: Better Facility Level Data Can Inform the Future of the Reuse Program

Recommendation #1: To inform future capital investment decisions and better understand the subsidy value to reuse service providers, PRNS should work with Public Works to periodically assess the condition and calculate the deferred maintenance of reuse facilities.

Recommendation #2: To better track the net costs of individual facilities in the Reuse Program, PRNS should improve tracking of maintenance costs and revenues, periodically review the City's cost for re-use facilities, and assess the continued value of reuse sites.

Recommendation #3: To provide policy makers with information about the Reuse Program in all districts, PRNS should include information on contracted and actual reported services by program activity across all service providers and facilities in their annual reuse updates.

Finding 2: PRNS Can Better Ensure Service Providers Meet Contracted Terms

Recommendation #4: PRNS should establish and implement procedures to regularly monitor reuse service providers. The procedures should identify roles and responsibilities for staff regarding contract management including establishing a master contract file with key documents, site visits, collecting performance reports, and tracking performance.

Recommendation #5: PRNS should revise reuse service provider performance reports to require information about changes in programming and staffing; and establish guidelines for approving changes in scopes of service, or implementing corrective actions if a reuse provider is not adhering to the terms of the agreement.

Recommendation #6: PRNS should immediately update all property use agreements, in coordination with the City Attorney's office, for all service providers under the reuse program.

Recommendation #7: PRNS should immediately collect active certificates of insurance from all service providers under the reuse program.

Recommendation #8: PRNS should immediately ensure verification or certification of background checks of reuse providers' paid and unpaid staff, in accordance with the reuse agreement.

Recommendation #9: To ensure proper licensing of daycare programs, including after school programs, PRNS should modify its reuse agreements to require service providers to either provide proof of licensure or certify they are exempted from licensure under the Department of Social Services guidelines.

Recommendation #10: To ensure service providers in the reuse program are abiding by the provisions of the City's Reuse Policy, PRNS should:

- a. Implement corrective actions for current service providers who offer fees above City standard rates, report revenues not being reinvested in reuse facility programs, rent facilities out on their own behalf, or provide benefits solely to members, and
- b. Develop procedures to review, on an annual basis, reuse providers' fee levels; revenues and expenses; and whether any benefits are offered solely to members and implement corrective actions.

Finding 3: Opportunities Exist to Improve Efficiency of Reuse Management

Recommendation #11: To account for the differences between satellite and neighborhood reuse facilities, PRNS should create a new standard reuse agreement for neighborhood sites that revises the scope of financial and program reporting requirements to allow for more efficient reporting and monitoring.

Recommendation #12: PRNS should establish targeted minimum standards for performance and open hours for satellite centers and work with current providers or potential providers from the satellite reuse pool to bridge gaps at satellite centers that do not meet those targets.

Recommendation #13: PRNS should ensure that all organizations receiving free or subsidized rent have a current property use agreement and be formalized under the reuse program to ensure consistency.

Recommendation #14: To more efficiently book meeting spaces, PRNS should utilize its online recreation software to track schedules of service providers or other users of reuse facilities.

Recommendation #15: PRNS should advertise City programming at reuse sites, similar to how it advertises City programming at hubs.

Recommendation #16: To facilitate community awareness and use of reuse facilities, PRNS should update the reuse facilities webpage to include links to service providers' websites and facility hours, and reference to financial assistance requirements.

Finding 4: PRNS Should Ensure Transparency in the Selection Process for Reuse Providers

Recommendation #17: PRNS should document reasons for selection and placement of current service providers as unique services as required by the Unique Services Purchases section of the Municipal Code and in keeping with Finance Department guidelines.

Recommendation #18: PRNS should work with the City Attorney's Office to designate in the City's Conflict of Interest Code those positions involved in the award of reuse agreements, which will require filing of Statements of Economic Interest (Form 700).

Recommendation #19: To establish a process for future placements of reuse providers, PRNS should use the list of qualified providers that resulted from the 2015 and 2017 RFQs in the event space opens up prior to the next RFQ. In addition, PRNS should document any departure from the use of the results for the selections.

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APPENDIX A

List of San José Community Centers and Reuse Facilities

Center	District	Size	Sq. Feet	Year Opened	School Site	Parkland Site	Bond Restricted	Address	Zip Code
Cypress Senior Center	1	Hub	12,703	1989				403 S. Cypress Avenue	95117
West San José Community Center	1	Satellite Center	5,760	2005			Yes	3707 Williams Road	95117
Starbird Community Center	1	Satellite Center	3,840	2006		Yes		1050 Boynton Avenue	95117
Calabazas Neighborhood Center	1	Neighborhood Center	2,776	1963		Yes		1207 Blaney Avenue	95129
San Tomas Neighborhood Center	1	Neighborhood Center	1,734	1975		Yes		4093 Valerie Drive	95117
Rainbow Park Neighborhood Center	1	Neighborhood Center	1,664	1930		Yes		1295 Johnson Avenue	95129
Hamann Park Neighborhood Center	1	Neighborhood Center	1,466	1964		Yes		2750 Westfield Avenue	95128
Southside Community & Senior Center	2	Hub	21,821	1964			Yes	5585 Cottle Road	95123
Edenvale Community Center	2	Satellite Center	20,190	2010	Yes			330 E. Branham Lane	95123
Los Paseos Youth Center	2	Satellite Center	14,000	2003	Yes			121 Avenida Grande	95139
Edenvale Youth Center	2	Neighborhood Center	3,840	2000	Yes			285 Azucar Avenue	95111
Roosevelt Community Center	3	Hub	30,006	2008		Yes	Yes	901 E. Santa Clara Street	95116
Washington United Youth Center	3	Satellite Center	17,000	1999				921 S 1st Street B	95110
Northside Community Center	3	Satellite Center	15,418	1998				488 N. 6th Street	95112
Gardner Community Center	3	Satellite Center	12,440	2005		Yes	Yes	520 W. Virginia Street	95125

Center	District	Size	Sq. Feet	Year Opened	School Site	Parkland Site	Bond Restricted	Address	Zip Code
Olinder Neighborhood Center	3	Neighborhood Center	6,251	1976		Yes		848 E. William Street	95116
McKinley Neighborhood Center	3	Neighborhood Center	2,700	2001	Yes			651 Macredes Avenue	95116
Spartan Keyes Neighborhood Center	3	Neighborhood Center	2,256	2012				570 Keyes Street	95112
Backesto Neighborhood Center	3	Neighborhood Center	665	1980		Yes		675 E. Empire Street	95112
Berryessa Community Center	4	Hub	13,700	1995			Yes	3050 Berryessa Road	95132
Berryessa Youth Center	4	Satellite Center	20,000	2005	Yes		Yes	1970 Morrill Avenue	95132
Alviso Youth Community Center	4	Satellite Center	17,000	1999	Yes			5050 N. 1st Street	95002
Noble House Neighborhood Center	4	Neighborhood Center	1,411	1970				14630 Noble Avenue	95132
Noble Modular Neighborhood Center	4	Neighborhood Center	900	1995	Yes			3466 Grossmont Drive	95132
Old Alviso Community Center (CLOSED)	4	Neighborhood Center	849	1950				1565 Liberty Street	95002
Mayfair Community Center	5	Hub	21,000	2009			Yes	2039 Kammerer Avenue	95116
Alum Rock Youth Center	5	Satellite Center	14,650	2004	Yes			137 N. White Road	95127
Hank Lopez Community Center	5	Neighborhood Center	9,500	1975		Yes		1694 Adrian Way	95122
Old Hillview Library (CLOSED)	5	Neighborhood Center	7,148	1964		Yes		2255 Ocala Avenue	95122
Capitol Park (Goss) Neighborhood Center	5	Neighborhood Center	2,160	2004		Yes		800 Peter Pan Avenue	95116

Center	District	Size	Sq. Feet	Year Opened	School Site	Parkland Site	Bond Restricted	Address	Zip Code
Joseph George Youth Center	5	Neighborhood Center	2,000	1999	Yes			277 Mahoney Drive	95127
Willow Glen Community & Senior Center	6	Hub	20,800	1959				2175 Lincoln Avenue	95125
Bascom Community Center & Branch Library	6	Satellite Center/Hub	22,928	2012			Yes	1000 S. Bascom Avenue	95128
Sherman Oaks Community Center	6	Neighborhood Center	5,900	1997	Yes			1800A Fruitdale Avenue	95128
Bramhall Park Neighborhood Center	6	Neighborhood Center	1,392	1959		Yes		1320 Willow Street	95125
Seven Trees Community Center	7	Hub	38,000	2010			Yes	3590 Cas Drive	95111
Shirakawa Community Center	7	Satellite Center	15,840	1964				2072 Lucretia Avenue	95112
Alma Community Center (Youth and Senior)	7	Satellite Center	6,372	1981				136 West Alma Avenue	95110
Evergreen Community Center	8	Hub	15,731	1991				4860 San Felipe Road	95135
Millbrook Community Center	8	Neighborhood Center	3,700	1986	Yes			3200 Millbrook Drive	95148
Meadowfair Community Center	8	Neighborhood Center	1,942	1973		Yes		2696 S. King Road	95148
Welch Park Neighborhood Center	8	Neighborhood Center	800	1968		Yes		Clarice & Kenesta	95122
Camden Community Center	9	Hub	58,678	2005			Yes	3369 Union Avenue	95124
Kirk Community Center	9	Satellite Center	19,746	1957				1601 Foxworthy Avenue	95118
Houge Park Neighborhood Center	9	Neighborhood Center	6,132	1970		Yes		3952 Twilight Drive	95118

Center	District	Size	Sq. Feet	Year Opened	School Site	Parkland Site	Bond Restricted	Address	Zip Code
Paul Moore Neighborhood Center	9	Neighborhood Center	1,500	1970		Yes		Myrtle & Zisch	95118
Almaden Community Center	10	Hub	40,000	2006			Yes	6445 Camden Avenue	95120
Almaden Winery Community Center	10	Satellite Center	15,000	1990		Yes		5730 Chambertin Drive	95118
Vista Park Neighborhood Center	10	Neighborhood Center	2,280	2006		Yes		475 Hyde Park Drive	95136
Almaden (The Spot) Youth Center	10	Neighborhood Center	2,072	2000	Yes			7050 Bret Harte Drive	95120

Source: Auditor compilation from PRNS Facilities Guide and internal facilities documents.

Note: Some facilities have been renovated, but not rebuilt. Those years are not reflected in this table.

APPENDIX B

Approximate Services Reported at Reuse Facilities

NOTE: Data is approximate. Service data is compiled from current and expired contracts, self-reported performance reports (where available—some date back to 2015), survey results (with 77% of providers responding), provider websites (where available), and interviews.

Facility	Provider	District	Activity	Contracted UOS (6 mos.) ¹	Reported UOS (6 mos) ²	Difference
Starbird Community Center	Happy House (dba Community United)	I	Office hours	M-Th 3:30-5:30, F 3:30-8:00 PM	M-F: 3 -5:30 PM, T: 6-8 PM, W: 5:30-7:30 PM	Reduced office hours
			After-school program (homework club, sports & fitness, recreation, computer lab)	6,720	12,200	5,480
			Good Choices program (including drug education and gang awareness)	320	170	10
			Peer mentoring	96	none reported	(48)
			San José Earthquakes games	180	none reported	(180)
			Mobile Nature Gallery (environmental awareness program)	60	none reported	(60)
			Junior Ranger program	20	none reported	(20)
			Reading program	not included	342	new program
			Immigration event	not included	10	new program
			Late night program (with Catholic Charities)	not included	W 5:30-7:30 PM	new program
			Family program	not included	T 6-8 PM	new program
San Tomas Neighborhood Center	Eastern European Services Agency	I	Office hours/resource referral (immigrant communities)	M-F 9-5 PM	M-F 9-5 PM	Same
			Enrichment program (Pre-K to 2 nd grade)	320	none reported	(320)
			After school activities (including teen group)	270	668	398
			Mommy and me storytelling	600	440	(160)

¹ Contracted UOS are from service provider contracts (current and expired), UOS are “units of service” which represents people hours and are calculated as (participants per session) × (number of sessions per six-month period) × (hours per session) per activity.

² “Reported UOS” are actual UOS self-reported by providers in performance reports (submitted twice a year). All reported UOS data is from reports submitted in 2017 unless noted otherwise. If UOS is not available, hours of operation are provided (if available).

Facility	Provider	District	Activity	Contracted UOS (6 mos.) ¹	Reported UOS (6 mos) ²	Difference
	Narcotics Anonymous		Play groups (ages 3-5)	1,800	672	(1,128)
			Arts and crafts, music, and dance programming	1,900	932	(918)
			ESL classes	360	192	(168)
			Senior programs (health and fitness, social activities)	4,320	2,500	(1,820)
			Workshop for adults	not included	72	new program
			Community events	not included	1,110	new program
			Facility rental by provider (birthdays, personal use)	not included	none reported	not in agreement
			Narcotics Anonymous meetings	not included	W 8-9 PM	not in agreement
West San José Community Center	Silicon Valley Korean American Federation ³	I	Computer class	3,200	1,040	180
			Immigrant services (English conversation, citizenship, CAS academy)	1,000	3,432	2,432
			Culture (Korean language and culture, dance lesson)	880	7,306	6,626
			Youth programs (tutoring, prevention)	930	none reported	(930)
			Art classes (flower design, photography <i>calligraphy – not included in contract</i>)	240	1,287	1047
			Senior services (Health class/clinic, meal, <i>social services – not included in contract</i>)	2,025	27,300	25,275
			Korean festival	200	none reported	(200)
			Sports (soccer, <i>taekwondo - not included in contract</i>)	600	1,677	1,077
			Exercise classes (yoga)	500	2,140	1,640
			Music (chorus, guitar, clarinet, piano, ocarina, men’s chorus)	not included	6,890	new program
			Meetings (Northern Korean Nurse Association, Korean Veterans Association, life group)	not included	2,730	new program
			Community events (open school, Karaoke Day, Korean War Memorial)	not included	7,930	new program
			Rainbow Neighborhood Center	Ethiopian Community Services	I	Office hours
Youth summer camp	2,188	no report				

³ Reported UOS data is from a report submitted in 2015.

Facility	Provider	District	Activity	Contracted UOS (6 mos.) ¹	Reported UOS (6 mos) ²	Difference
			Health (educational workshop, Covered California enrollment)	1,620	no report	
			Youth programs (tutoring, gang prevention workshop)	900	no report	
			Computer class	594	no report	
			Cultural classes (Amharic Language, cultural dance)	2,418	no report	
			Teen education (college admissions, financial management)	1,740	no report	
			Immigration services (citizenship prep, referrals, and interpretation)	4,420	no report	
			Ethiopian Community Services, Inc. Board of Directors Mtg	858	no report	
			Meetings (women’s support group, Jembers senior, older adult)	3,960	no report	
			Community events (young professionals networking, coffee in the park)	430	no report	
Hamann Park Neighborhood Center	Kaisahan	1	Philippine folk dance classes (beginner, intermediate, advanced)	no contract	no contract	
			Professional dance company senior dance	no contract	no contract	
			Monthly board meeting	no contract	no contract	
			Props making	no contract	no contract	
			Neighborhood Association meetings	no contract	no contract	
Edenvale Community Center ⁴	Boys & Girls Club of Silicon Valley	2	Office hours	M-Th 10:00-6:00 PM, F 10:00 AM -9:00 PM	M-F 2:30-6:00 PM	reduced office hours
			After-school program	17,663	32,543	14,880
			Summer camp	62,475	N/A (diff. reporting period)	
	South Valley Family YMCA		Office hours	M, W 6:00 - 9:30, Sat 8:00- 5:00	M, W 6:00 - 9:00, Sat 9:00-5:00	Reduced office hours
			Basketball practices and games	7,480	3,510	(3,970)
	Catholic Charities		Office hours	M-Th 9:30-11:30, Sat 5:00- 9:00	M-F 8:00-noon, Sat 6:00- 9:00	Different office hours
			Zumba fitness	170	161	(9)

⁴ Note: Contracted UOS and reported UOS represent just three months due to shorter-term contracts.

Facility	Provider	District	Activity	Contracted UOS (6 mos.) ¹	Reported UOS (6 mos) ²	Difference
Edenvale Youth Center			Kinder success program	350	1,100	750
			Learning together (music and movement enrichment program)	680	168	(848)
			24/7 DAD father engagement workshop	11	none reported	(11)
			Triple P Seeds workshop (parent and child support program)	700	none reported	(700)
			Abriendo Puertas workshops	not included	168	new programming
			Events (Día De Los Muertos)	not included	320	new programming
	Davis Middle School	2	Gym	not applicable - school site	M: 9-10 AM, 11 – 2PM, T: 9 AM-2 PM, W: 9-11AM, 1-2PM, Th: 9 AM-2 PM, F: 9-10 AM, 11-2PM	
	Church (The Gathering)		Rental	rental agreement	Sun 7AM-1PM	
	Boys & Girls Club of Silicon Valley		After-school program	no contract	37,550	37,550
Los Paseos Youth and Family Center	YMCA of Silicon Valley	2	After-school program	12,960	25,662	12,702
			Childcare services (AM)	4,050	12,379	8,329
			Summer camp	23,625	none reported	Coming Summer 2018
Gardner Community Center	ICAN	3	Youth services	no contract	no contract	
	Hip Hop Chess Federation		Youth services	Grant- SSIG (no UOS)		
	Aztec Group		Cultural services	no agreement with the City		
	Second Harvest		Food bank	no agreement with the City		
	AARP Tax Program		Tax services	no agreement with the City		
	City of San José		City programming	City programming	City programming	
	Firehouse Community Development Corporation		Youth services	Grant- BEST (no UOS)		

Facility	Provider	District	Activity	Contracted UOS (6 mos.) ¹	Reported UOS (6 mos) ²	Difference
	Neighborhood Association		Community meetings	no agreement with the City		
			Admin - office hours	270	no report	
Backesto Neighborhood Center	Downtown Enrichment	3	After-school	9,072	no report	
			Summer/school break	9,940	no report	
			Events (community events and open door)	9,336	no report	
Northside Community Center	Community ChildCare Council (4Cs)	3	Senior Nutrition Program	no contract	no contract	
			Theatre plays (including teaching and performing)	375	no report	
			Free theatre ticket program	1,500	no report	
Olinder Community Center	Northside Theatre Council	3	Intern program for young people	9,000	no report	
			Free reading program (play reading)	188	no report	
	ICAN		Youth services	no contract	no contract	
			After-school homework club	7,210	no report	
			Field trips	720	no report	
Spartan Keyes Neighborhood Center	Catholic Charities	3	Nutrition classes and physical education	180	no report	
			Summer program	1,800	no report	
			Neighborhood Association meetings	100	no report	
			Second Harvest Food Bank - food distribution	3,600	no report	
			Office hours	M-F: 4-7:15 PM, Sat: 10 AM - 12 PM	M-F: 8 AM-9:30 PM, Sat: 10 AM - 12 PM	increased office hours
			Exercise class	3,000	no report	
			Cultural classes (Ballet Folkloric, Vietnamese martial arts)	1,550	no report	
Washington United Youth Center	Catholic Charities	3	Open sessions (game room and gym)	5,265	no report	
			Support groups - young women's group (YWEP), family support	870	no report	
			Late night gym (SJ BEST) (indoor soccer, basketball, handball)	4,500	no report	
			Special projects (girls for a change, tech GYRLS)	400	no report	

Facility	Provider	District	Activity	Contracted UOS (6 mos.) ¹	Reported UOS (6 mos) ²	Difference
Alviso Youth Community Center	Boys & Girls Club of Silicon Valley	4	Family Harvest Program (Second Harvest Food Bank)	1,560	no report	
			Facility rental by provider (other organizations)	not included	as requested	not in agreement
			Office hours	M-F: 12 PM - 6PM	M,T,Th,F: 2:30 - 6:30 PM, W: 1 - 6:30 PM	decreased office hours
			After-school program	30,240	40,472	10,232
			Summer camp	15,750	20,790	5,040
Berryessa Youth Center ⁵	East Valley YMCA	4	Office hours	M-W, F: 3- 7PM, Th: 1-7 PM, Sat: 8 AM- 12PM	M-W: 2 -8 PM, Th: 1-8 PM, F 8AM-6PM	Increased office hours
			After-school program	7,200	12,500	5,300
			Tae Kwon Do	640	none reported	(640)
			Basketball (practice, games, drop-ins)	18,340	62,720	44,380
			Summer/holiday camp	12,375	N/A (Different reporting period)	N/A
	Chinese School		Chinese classes	no contract	no contract	
Noble House	Veterans Supportive Services Agency, Inc.	4	Case management (including burial preparation, telephone reassurance)	845	2,290	1,445
			SV Veterans Ball	640	600	(40)
			Meeting (American Legion Post 558)	270	120	(150)
			Charity run	4,000	canceled	N/A
	Alcoholics Anonymous		Meeting	not included	not reported	
Noble Modular Neighborhood Center	Veterans Supportive Services Agency, Inc.		No programming – facility under construction	none	none reported	
	Escuela Popular	5	Office hours	M-F: 7:30 AM – 10:30 PM, Sat 9 AM- 3 PM		
			Childcare services	46,903	314	(46,589)

⁵ Note: Contracted UOS and reported UOS represents just three months due to shorter contract terms.

Facility	Provider	District	Activity	Contracted UOS (6 mos.) ¹	Reported UOS (6 mos) ²	Difference
Alum Rock Youth Center ⁶	Boys & Girls Club of Silicon Valley	5	Education classes (Math, PE, Social Studies, ESL, Spanish Literature)	33,842	3,179	(30,663)
			After-school program	35,600	24,480	(11,120)
			Summer camp	22,050	none reported	(22,050)
	FutureArtsNow!		No contract	no contract	no report	
	Narcotics Anonymous		Narcotics Anonymous meetings (Clean Teens and Young People)	not included	Th: 8-9 PM	
Hank Lopez	City of San José	5	Mayor's Gang Prevention Task Force staff site			
Capitol Park Goss Neighborhood Center	Asian American Community Services	5	Summer program	1,750	Canceled	N/A
			Health/fitness class (Latin free-style dance, Pilates)	8,460	9,464	1,004
			Cultural classes (Folkloric dance classes, Vovinam)	2,350	4,056	1,706
			Neighborhood Association meetings	175	108	(67)
			Community events	1,800	17,130	15,330
Joseph George Youth Center	Alum Rock Educational Foundation ⁷	5	After-school program	7,560	3,277	(4,283)
			"Saturday Academics" for math, engineering, science achievement	200	none reported	(200)
			Board of Directors meeting	165	120	(45)
			Mathematics, Engineering, Science Achievement (MESA) classes	not included	518	new program
Sherman Oaks Community Center	Campbell Union School District	6	None listed	no contract ⁸	none reported	
	Korean American Community Services		Events (Alzheimer's Forum, First Full Moon Festival, Parent's Day, Thanksgiving luncheon, Santa's Toy Giveaway, Fall prevention, Chuseok Festival)	Sublease (no UOS)	1,434	1,434
			Senior Programs (Brown bag, Senior Nutrition Program, health screenings, ESL)	Sublease (no UOS)	4,602	4,601
			Social services (I&R - Interpretation and Referral Case management, transportation)	Sublease (no UOS)	620	620

⁶ Reported UOS for Escuela Popular and Boys and Girls Club is from a report submitted in 2016.

⁷ Reported UOS data for Alum Rock Educational Foundation is from a report submitted in 2016.

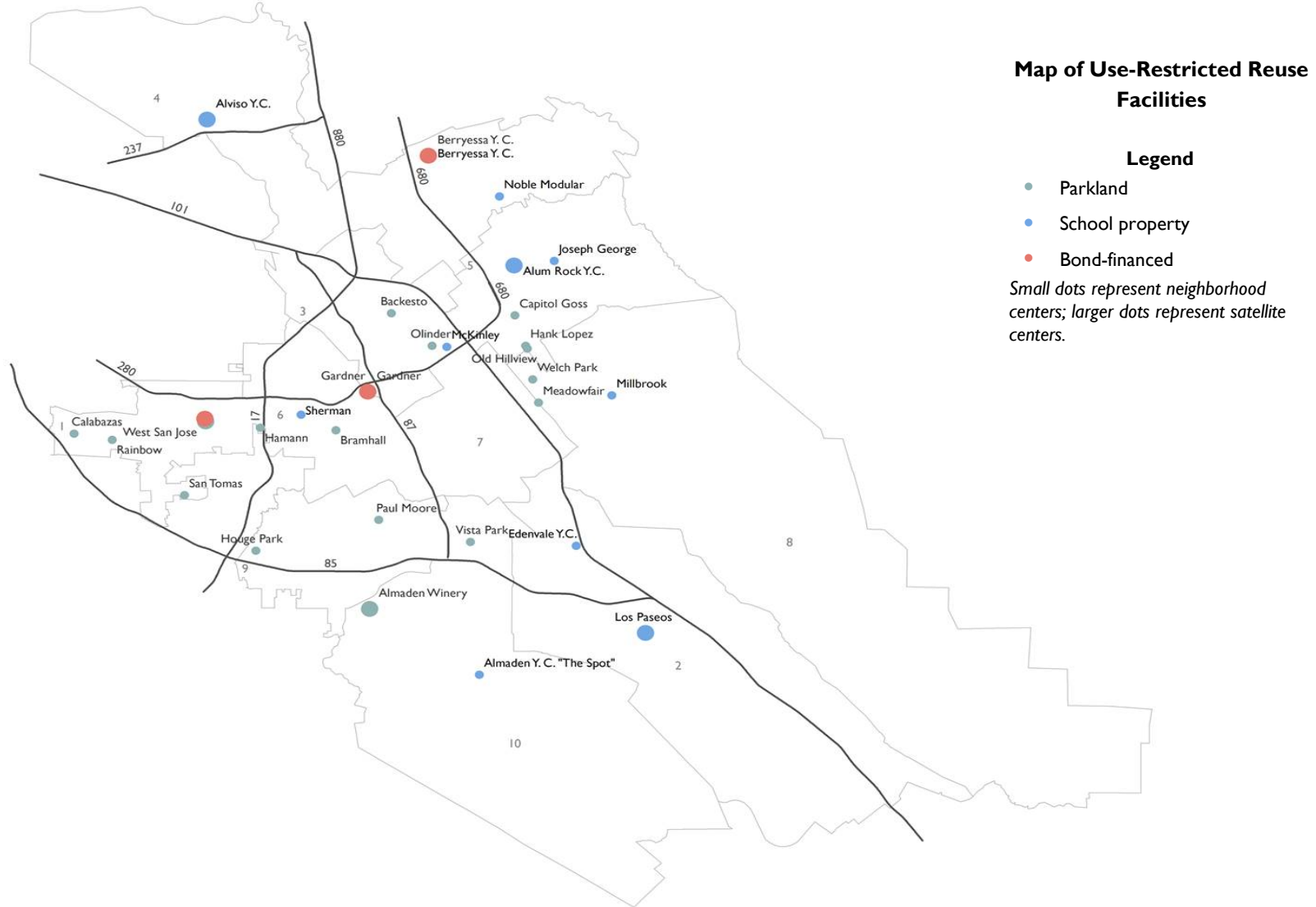
⁸ The City leases the space from the Campbell Union School District, which owns the property.

Facility	Provider	District	Activity	Contracted UOS (6 mos.) ¹	Reported UOS (6 mos) ²	Difference
			Health programs (health seminars, Oriental medicine consultation, vaccination)	Sublease (no UOS)	105	105
			Health/fitness (line dance, traditional dance, sports dance, table tennis, yoga, light exercise, walk with ease)	Sublease (no UOS)	2,367	2,367
			Music and art classes (sing along, oriental painting, guitar, craft, clarinet, ukulele, karaoke)	Sublease (no UOS)	1,417	1,418
Bramhill Park Neighborhood Center	City of San José	6	City programming	City programming	City programming	
Shirakawa Community Center	City of San José	7	City programming	City programming	City programming	
Alma Youth and Senior Center	City of San José	7	City programming	City programming	City programming	
Millbrook Community Center	City of San José	8	City programming	City programming	City programming	
Meadowfair Community Center	Kidango, Inc.	8	Childcare (AM)	11,205	no report	
			Childcare (PM)	11,205	no report	
Welch Park Neighborhood Center	Vacant	8	Vacant	Vacant	Vacant	
Paul Moore Neighborhood Center	City of San José	9	City of San José Park Ranger office space	no programming	no programming	
Houge Park Neighborhood Center	Arab American Cultural Center	9	Office hours	Sat: 9AM - 12PM	no report	
			Arabic language and education class	840	no report	
			Women interest program	500	no report	
			Music (Aswat) and choir classes	1,200	no report	
			Social services (ESL, refugee education, refugee services)	240	no report	
			Senior program (Arab world events, estate planning, voter measure education)	500	no report	
			Youth service (leadership program - public speaking, debating, volunteering)	160	no report	
			Events (Ex: National Night Out, holiday celebrations, family game night/bingo)	4,230	no report	

Facility	Provider	District	Activity	Contracted UOS (6 mos.) ¹	Reported UOS (6 mos) ²	Difference
	San José Youth Shakespeare	9	Production preparation (rehearsals, costuming, construction, tech set-up, set-up)	3,865	no report	
			Community preview (free preview performance)	68	no report	
			Show (performance)	1,170	no report	
			Workshops and training (HOPE services training, outreach, drama skills, socials)	516	no report	
			Internal meetings (board/committee meeting, company production)	203	no report	
	San José Astronomical Association		Astronomical observing at Houge Park	4,800	no report	
			Lecture series and astronomy classes at Houge Park	1,140	no report	
			Star Party program	11,288	no report	
			Coyote Lake public program	2,000	no report	
Kirk	CommunitySeva	9	No contract	No contract	no report	
work2future	Job training		MOU (no UOS)			
Almaden Winery	work2future	10	Job training	MOU (no UOS)		
Vista Park	City of San José	10	City programming	City programming	City programming	
Almaden - The Spot	City of San José	10	City programming	City programming	City programming	

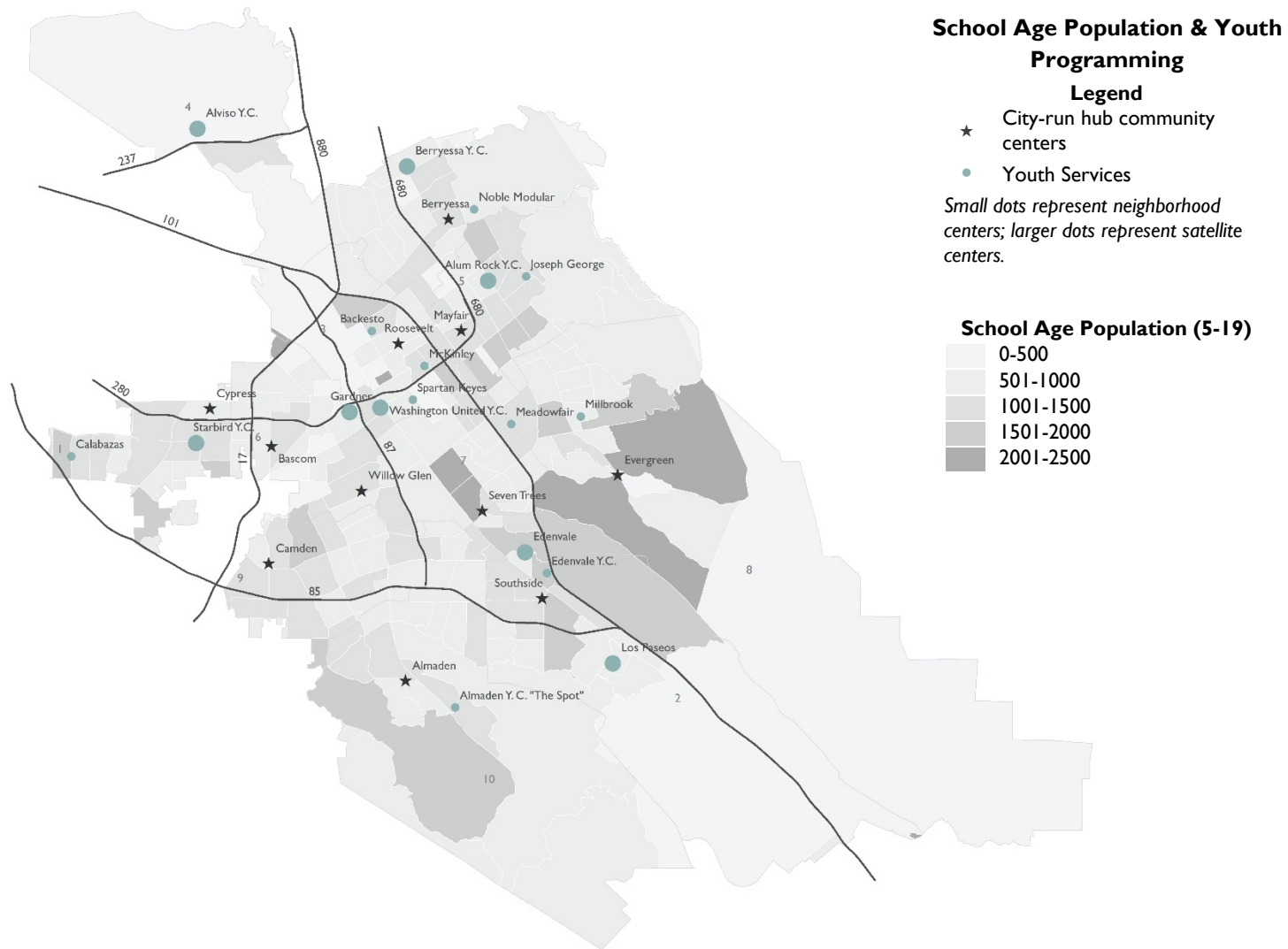
Source: Auditor compilation of performance reports from 2015-2017, contracted scopes of service from reuse agreements (current and expired), auditor survey of service providers, interviews, and service providers' websites.

APPENDIX C



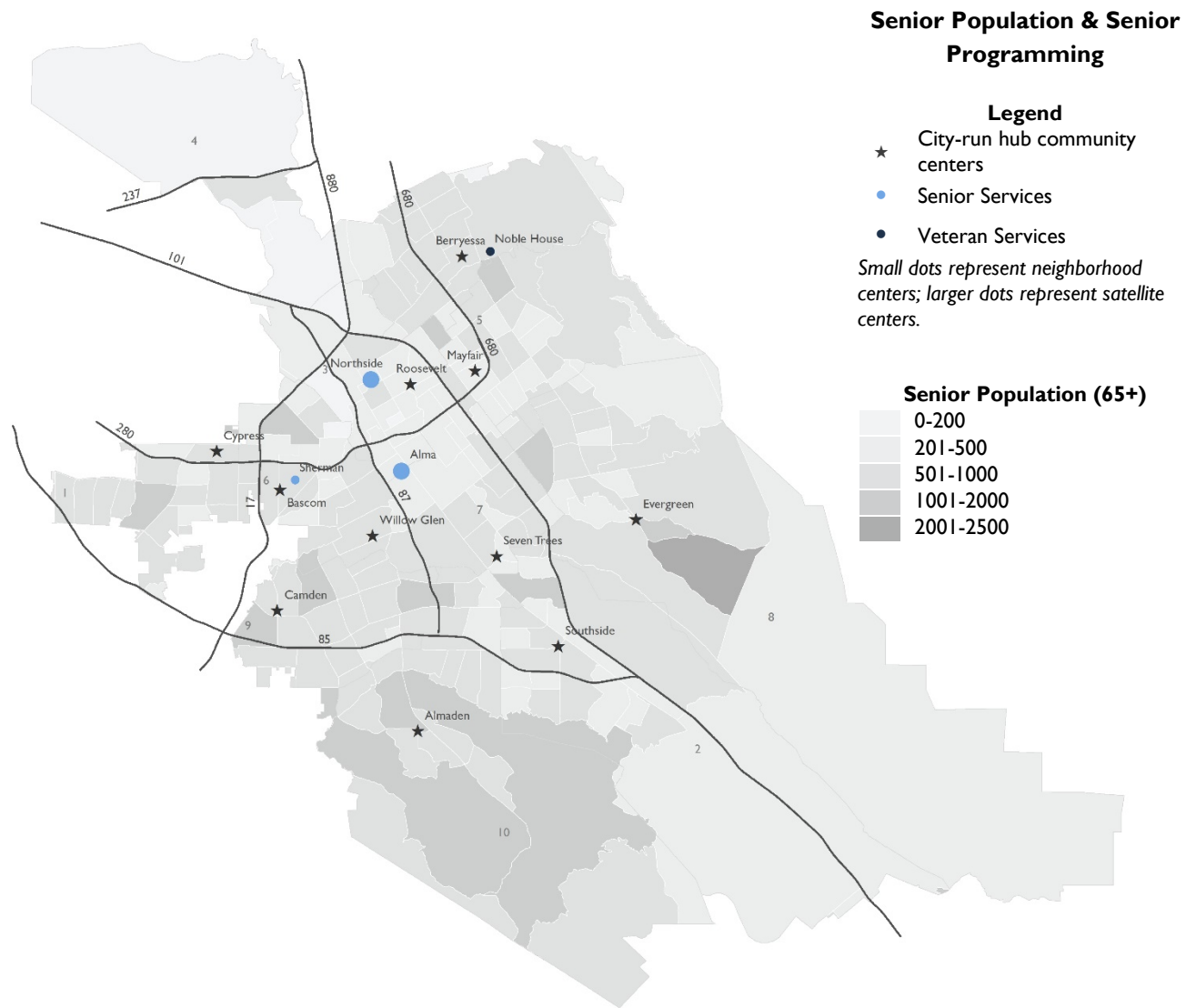
Source: Auditor map based on PRNS' Facilities Guide, internal facilities document, and Finance's Memo on City Facilities with Restrictions on Use, Lease, and Sale.

Note: Only reuse facilities with restrictions are shown. Berryessa Youth Center is both bond-financed and on school property. Gardner is both bond-funded and on parkland.



Source: Auditor map based on PRNS' Facilities Guide, contracted service hours, and 2016 American Community Survey 5-Year Estimates, Table S0101.

Note: This map only shows service providers' primary service focus. For a complete list of services offered at facilities, see Appendix B.



Source: Auditor map based on PRNS' Facilities Guide, contracted service hours, and 2016 American Community Survey 5-Year Estimates, Table S0101.

Note: This map only shows service providers' primary service focus. For a complete list of services offered at facilities, see Appendix B.

Memorandum

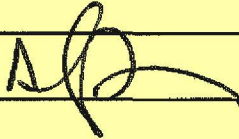
TO: SHARON ERICKSON
CITY AUDITOR

FROM: Jon Cicirelli

**SUBJECT: RESPONSE TO THE AUDIT OF
COMMUNITY CENTER REUSE**

DATE: September 4, 2018

Approved



Date

9/4/18

BACKGROUND

This memorandum responds to the recently completed audit of the Parks, Recreation and Neighborhood Services' (PRNS) Community Center Reuse (Reuse) program. We thank the City Auditor's Office for their professionalism and their work to provide insight and recommendations for ongoing program improvements. We look forward to implementing the Auditor's recommendations and establishing the next phase of the Reuse program.

The Reuse program was launched as a direct response to the threats and impacts of the recession, and continues to be an innovative method to create service partnerships with local providers to operate programs within identified buildings rather than letting those assets shutter and eliminate services to the community. The "dot com" bust impacted community center operations as far back as 2003-2004, when the City eliminated over 40 FTE community-center staff who had been dedicated to operating and providing direct services to San José residents. The structural deficit continued to create serious operational impacts to the City's recreation system and in 2005 PRNS proposed to place 17 facilities into Reuse in exchange for providers delivering services to the community.

In 2008, City Council Policy 7-12 related to Community Center Reuse was formalized. An innovative policy utilizing a service in exchange for space model, this policy was later modified to include a cost-sharing requirement with partners that charged a fee for service. Still, as the economy continued to struggle, additional City recreation service positions were eliminated (community center staff dropped by about 50% between 2002-2003 and 2005-2006), and the number of identified Reuse facilities offered to partners grew to a total of 42 sites in 2015. Between 2005 and 2015, the number of Reuse sites more than doubled (from 17 to 42), and staff was cut by about 50%.

The Department is proud of the Reuse program's accomplishments. PRNS effectively reduced General Fund commitments and created opportunities for partners to keep community centers open and provide services to our most vulnerable populations in all our neighborhoods. Based on the Department's 2009 staffing models for satellite and neighborhood centers, this strategy has saved the City millions of dollars per year. The Reuse program's benefits to our community

include a diverse set of service offerings from over 30 agencies and unique service providers that have supported a variety of needs and community priorities over the years. The range of services, at a basic level, protect against blight and quality of life issues that are tertiary to vacant buildings, and provide robust community activities.

PRNS currently manages 50 community facilities, consisting of 11 hubs and 39 Reuse facilities. Of those 39 buildings, 10 sites house separate City programming and/or City programming in conjunction with other providers, and two Reuse locations are permanently closed. The Reuse program is a part of the Recreation and Community Services Division that provides a diverse menu of recreation programs to serve the whole community.

The current PRNS structure was established through a “Building Forward” strategy that is focused on strategic improvements and business-model development to assist in the recovery from the economic downturn. One of the Department’s key strategies in mitigating the recession’s impact on community services was the creation of the Reuse program.

Currently PRNS oversees 39 Reuse facilities, with 35 agreements, 1.6 Recreation Program Specialists assigned to oversee the entire contract lifecycle (contract development, execution, monitoring, and amendments), and maintains relationships with the service partners. Management of the entire Reuse program includes: coordination of minor maintenance support to the facilities; department-wide facility rental coordination; and management of the Citywide Aquatics program. Additionally, management of the Reuse program includes supervision and coordination of key City staff assigned to co-operate Reuse facilities including “high need” service centers such as the Vietnamese-American Community Center, Gardner Community Center, Alum Rock Youth Center, Alma Community Center, and the Berryessa Youth Center. The additional staff required to carry out these management functions at these “high need” facilities have been funded through various Council one-time and on-going budget actions.

The PRNS administration agrees with the recommendations of the audit and understands the need to improve the administrative and analytical systems to ensure proper contract compliance and effective monitoring. However, the Department is challenged by the capacity and workload issues that impact the efficacy of managing the program.

The Department understands that continued improvement is important to ensure that the Reuse program meets the current needs of the City. The Department has a great opportunity to re-imagine the future of the Reuse program as the economy continues to rebound. With the appropriate resources, the Department can better assess the conditions, long-term needs, and costs to make informed decisions around these assets.

PRNS will seek to:

- Address staff capacity issues to improve contract life-cycle management;
- Utilize and manage appropriate service-provider selection processes and increase the number of operational partners;

- Work with the Department's Capital Team and Public Works for updated facility infrastructure assessments; and
- Identify opportunities to maximize the City services and revenue afforded to the City with these assets.

Again, we thank and appreciate the work completed by the City Auditor, and look forward to implementation of the identified recommendations.

RECOMMENDATIONS AND RESPONSE

Recommendation #1: To inform future capital investment decisions and to better understand the subsidy value to Reuse service providers, PRNS should work with Public Works to periodically assess the condition and calculate the deferred maintenance of Reuse facilities.

Administration Response: The PRNS Administration concurs with this recommendation and understands that the continued and ongoing work between PRNS, PW and Real Estate is essential to maintaining Reuse facilities in the best functional condition. PRNS recreation staff conduct a visual assessment of the buildings on an annual basis to identify any primary building issues that may need to be addressed. Currently, the Reuse program has \$100,000 per year to support minor capital repairs across all 39 sites in the inventory. Major issues outside of this minor repair fund are addressed as part of the Department's entire Capital Budget priorities for all 50 facilities in the PRNS inventory. The estimated cost to complete deferred maintenance/facility life-cycle assessments of the 39 Reuse buildings is likely more than \$500,000 (\$12,000 - \$15,000 per site). During the FY 2019-2020 budget process, staff will explore whether it is best to conduct these assessments with existing (or additional) City staff or to identify a contractor that can assist or perform the work required.

Yellow: The PRNS Administration agrees with this recommendation, with referral to the FY 2019-2020 budget process.

Target Date of Completion: TBD

Priority Setting Checklist

1. Is the recommendation related to work already in the existing department workplan? **Yes**
2. Staff time required (including research and policy/ordinance development and implementation). **>40 hours**
3. What is the magnitude of effort involved? **Large**
4. When will the department have capacity to address the recommendation? **Future Fiscal Year**

5. Feasibility: **Medium**

Recommendation #2: To better track the net costs of individual facilities in the Reuse program, PRNS should improve tracking of maintenance costs and revenues, periodically review City's cost for Reuse facilities, and assess the continued value of Reuse sites.

Administration Response: The PRNS Administration concurs with this recommendation and understands that the continued and ongoing work to assess facility costs and revenue is essential to understanding the true costs of the Reuse operating model. Currently, the Reuse program has \$100,000 per year to support minor capital repairs for the 39 sites in the inventory. In addition, PRNS pays for the custodial and utility expenses for the buildings. Staff will analyze the revenue, utility, and custodial costs of each Reuse site to improve identification and tracking of those expenses.

The management and tracking of each Reuse facility's work orders will continue to be a challenge. Currently, all maintenance and work orders go to a central Reuse code for minor building improvements and do not have individual Reuse site codes. Work orders will have to be tracked for 39 separate sites, each with specific charge codes, and coordinated with multiple departments.

The Finance Department regularly assesses the value of City assets for insurance purposes. Staff will work to use this information, combined with facility condition/assessments, to help determine the true value of the buildings and costs of the program. However, as detailed in the response to Recommendation #1 above, such an analysis cannot be completed without substantial investment in a condition-assessment program.

Yellow: The PRNS Administration agrees with this recommendation, with referral to the FY 2019-2020 budget process.

Target Date of Completion: TBD

Priority Setting Checklist

1. Is the recommendation related to work already in the existing department work plan? **No**
2. Staff time required (including research and policy/ordinance development and implementation). **40 hours**

3. What is the magnitude of effort involved? **Large**
4. When will the department have capacity to address the recommendation? **Future Fiscal Year**
5. Feasibility: **Medium**

Recommendation #3: To provide policy makers with information about the Reuse program in all districts, PRNS should include information on contracted and actual reported services by program activity across all service providers and facilities in their annual Reuse updates.

Administration Response: The PRNS Administration concurs with this recommendation and will develop, monitor, and track appropriate contract-service requirements to ensure consistent assessment of the level of services that are provided to the community in exchange for subsidized facility use. PRNS will implement in coordination with Recommendation #11, and develop of a range of contract templates and reporting requirements that align to the size and complexity of the services provided. As such, the Department is committed to identifying the most effective and efficient system to manage and report contracts.

Green: The PRNS Administration agrees with this recommendation.

Target Date of Completion: July 2020

Recommendation #4: PRNS should establish and implement procedures to regularly monitor Reuse service providers. The procedures should identify roles and responsibilities for staff regarding contract management including establishing a master contract file with key documents, site visits, collecting performance reports, and tracking performance.

Administration Response: The PRNS Administration concurs with this recommendation and understands that the development, monitoring, and tracking of appropriate contract service requirements is needed to ensure a better assessment of the level of services that are provided to the community through the Reuse Program. The Department will improve monitoring of contracts for compliance by establishing master contract files, collection of appropriate performance reports, and developing a system for appropriate site visits. The Department is challenged with the capacity and workload to manage the overall reuse contract process effectively and appropriately. Currently, the reuse staff are managing more than 35 agreements with 1.6 FTE Recreation Program Specialists (typically in PRNS, contracts are monitored by Analysts). As the audit mentioned, the Department has a "Contracts Management Handbook" designed and followed by the Department's contract and grant analysts. The Department's

standard contract workload per Analyst is approximately 12-15 contracts under active lifecycle management. The Department is committed to identifying the most effective and efficient system to manage these contracts, however, at current funding and position classification levels progress may be limited.

Green: The PRNS Administration agrees with this recommendation.

Target Date of Completion: December 2019

Recommendation #5: PRNS should revise Reuse service-provider performance reports to require information about changes in programming and staffing and establish guidelines for approving changes in scopes of service, or implementing corrective actions if a Reuse provider is not adhering to the terms of the agreement.

Administration Response: The PRNS Administration concurs with this recommendation. As noted in the audit, program-service adjustments can range from minor changes to principal shifts in contracted scopes of services that would require contract amendments. Staff will establish guidelines and contract language to identify the appropriate level of scope change that can be authorized through the Reuse management team, and what changes will require a full contract amendment. As stated in the Administrative Response to Recommendation #4, PRNS is challenged by the workload and the Reuse staffing model that is assigned to manage the multiple amendments and scope changes effectively and appropriately during all contract life cycles.

Green: The PRNS Administration agrees with this recommendation.

Target Date of Completion: July 2019

Recommendation #6: PRNS should immediately update all property-use agreements, in coordination with the City Attorney's Office, for all service providers under the Reuse program.

Administration Response: The PRNS Administration concurs with this recommendation and staff have been actively working with partners to update/submit current agreements.

Green: The PRNS Administration agrees with this recommendation.

Target Date of Completion: December 2018

Recommendation #7: PRNS should immediately collect active certificates of insurance from all service providers under the Reuse program.

Administration Response: The PRNS Administration concurs with this recommendation and staff is actively working with partners to update and submit current certificates of insurance. As of the date of this response only seven agencies (out of 41 contracts) have not submitted appropriate documents. Staff have already connected with these agencies for immediate corrective action.

Green: The PRNS Administration agrees with this recommendation.

Target Date of Completion: December 2018

Recommendation #8: PRNS should immediately ensure verification or certification of background checks of Reuse providers' paid and unpaid staff, in accordance with the Reuse agreement.

Administration Response: The PRNS Administration concurs with this recommendation, and as the audit has stated, the Reuse contract currently already requires all youth-serving agencies to provide background checks on their staff and volunteers. All agencies are aware of this mandatory requirement and the Department is currently working through all existing contracts to ensure that proper verification and/or certification is appropriately recorded.

Green: The PRNS Administration agrees with this recommendation.

Target Date of Completion: December 2018

Recommendation #9: To ensure proper licensing of daycare programs, including after school programs, PRNS should modify its Reuse agreements to require service providers to either provide proof of licensure or certify they are exempted from licensure under the Department of Social Services guidelines.

Administration Response: The PRNS Administration concurs with this recommendation and will require all partners providing daycare or after-school programs to provide proof of licensure or certify they are exempt under Department of Social Service guidelines.

Green: The PRNS Administration agrees with this recommendation.

Target Date of Completion: December 2018

Recommendation #10: To ensure service providers in the Reuse program are abiding by the provisions of the City's Reuse Policy, PRNS should:

- a. **Implement corrective actions for current service providers who offer fees above City standard rates, report revenues not being reinvested in Reuse facility programs, rent facilities out on their own behalf, or provide benefits solely to members; and**

- b. Develop procedures to review, on an annual basis, Reuse providers' fee levels; revenues and expenses; and whether any benefits are offered solely to members and implement corrective actions.**

Administration Response: The PRNS Administration concurs with this recommendation, and will establish the proper contract monitoring procedures based on the appropriate level of service provided at the Reuse center (see also, recommendations #4 and #11). As stated previously, PRNS is challenged by the workload associated with contract management for all Reuse contacts, including completing thorough financial analysis against an agency's reports.

Green: The PRNS Administration agrees with this recommendation.

Target Date of Completion: July 2020

Recommendation #11: To account for the differences between satellite and neighborhood reuse facilities, PRNS should create a new standard reuse agreement for neighborhood sites that revises the scope of financial and program reporting requirements to allow for more efficient reporting and monitoring.

Administration Response: The PRNS Administration concurs with this recommendation and will work in coordination with the City Attorney's office and the Department's Strategic Partnership Unit to examine the range of contract templates PRNS already uses. These include smaller grant agreements (e.g., Beautify SJ) to more significant service contracts such as those in the San José BEST process. This effort may improve the Department's ability to manage the contract monitoring capacity challenges the Reuse program continues to face. As such, the Department is committed to identifying the most effective and efficient system to manage these contracts.

Green: The PRNS Administration agrees with this recommendation.

Target Date of Completion: July 2020

Recommendation #12: PRNS should establish targeted minimum standards for performance and open hours for satellite centers and work with current providers or potential providers from the satellite Reuse pool to bridge gaps at satellite centers that do not meet those targets.

Administration Response: The PRNS Administration concurs with this recommendation. PRNS will establish performance and facility open-hour goals for satellite facilities. Maximized usage of a Reuse asset is a primary objective of the program and it benefits the community. Each placement of a service provider into a Reuse facility requires a distinct conversation to identify agency capacity, matching of services, location, co-habitation concerns, hours of service, etc. Consequently, not all qualified agencies can provide an ideal level of service for the asset. When this happens, the system is challenged with an underused facility or at worst, leaving a facility completely shuttered.

It is also important to recognize that additional/greater use will increase some costs to the City including: contract administration, utility spending, and greater maintenance and infrastructure needs. With any new Reuse service gap/opportunity PRNS will appropriately work through the existing provider list, and will document the reasons for utilizing the approved unique services provision (approved authority through FY 2019-2020).

Green: The PRNS Administration agrees with this recommendation.

Target Date of Completion: July 2020

Recommendation #13: PRNS should ensure that all organizations receiving free or subsidized rent have a current property-use agreement and be formalized under the Reuse program to ensure consistency.

Administration Response: The PRNS Administration concurs with this recommendation and staff have been actively working with all partners who are currently operating within City Reuse sites to have updated and executed agreements and remain compliant with any sublease provisions that are included in a service provider's Reuse contract.

Green: The PRNS Administration agrees with this recommendation.

Target Date of Completion: December 2018

Recommendation #14: To more efficiently book meeting spaces, PRNS should utilize its online recreation software to track schedules of service providers or other users of Reuse facilities.

Administration Response: The PRNS Administration concurs with this recommendation. PRNS has already streamlined the process to have all rental requests come through the Department's Rental Coordinator only and entered and managed within the ActiveNet online system. This effort has been communicated to all Reuse providers. The Department will also migrate the Reuse "Master Calendar" (contracted hours of services) to ActiveNet or another online solution that mutually supports access for both providers and City staff. This will ensure all facility scheduling is managed in one online system.

Green: The PRNS Administration agrees with this recommendation.

Target Date of Completion: June 2019

Recommendation #15: PRNS should advertise City programming at Reuse sites, similar to how it advertises City programming at hubs.

Administration Response: The PRNS Administration agrees with this recommendation and will advertise the City programming currently offered within key Reuse sites. PRNS will also identify key opportunities to highlight City services in our seasonal brochures and website.

Green: The PRNS Administration agrees with this recommendation.

Target Date of Completion: July 2019

Recommendation #16: To facilitate community awareness and use of Reuse facilities, PRNS should update the Reuse facilities webpage to include links to service providers' websites and facility hours, and reference to financial assistance requirements.

Administration Response: The PRNS Administration concurs with this recommendation and is currently coordinating this effort with the Department's communications and marketing staff in alignment with the current citywide website update.

Green: The PRNS Administration agrees with this recommendation.

Target Date of Completion: July 2019

Recommendation #17: PRNS should document reasons for selection and placement of current service providers as unique services as required by the Unique Services Purchases section of the Municipal Code and in keeping with Finance Department guidelines.

Administration Response: The PRNS Administration concurs with this recommendation and will document reasons for selection of current "unique" service providers. Each placement of a service provider to a Reuse facility requires a distinct conversation to identify agency capacity, matching of services, location, co-habitation concerns, etc. Qualification on the RFQ list does not result in automatic placement in a Reuse site and PRNS may use other appropriate options, including the Department's approved authority to utilize the unique services provision (Council Policy 7-12). With any new Reuse vacancy/opportunity PRNS will appropriately work through the existing provider list, and will document the reasons for utilizing the approved unique services provision as needed.

Green: The PRNS Administration agrees with this recommendation.

Target Date of Completion: December 2018

SHARON ERICKSON

September 4, 2018

Subject: Response to the Audit of Community Center Reuse

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Recommendation #18: PRNS should work with the City Attorney's Office to designate in the City's Conflict of Interest Code those positions involved in the award of Reuse agreements, which will require filing of Statements of Economic Interest (Form 700).

Administration Response: The PRNS Administration concurs with this recommendation and will ensure that the Department identifies the appropriate staff positions associated with Reuse funding decisions to file the Statements of Economic Interest (Form 700).

Green: The PRNS Administration agrees with this recommendation.

Target Date of Completion: December 2018

Recommendation #19: To establish a process for future placements of Reuse providers, PRNS should use the list of qualified providers that resulted from the 2015 and 2017 RFQs in the event space opens up prior to the next RFQ. In addition, PRNS should document any departure from the use of the results for the selections.

Administration Response: The PRNS Administration concurs with this recommendation. Qualification on the RFQ list does not result in automatic placement in a Reuse site, and PRNS may use other appropriate options, including the approved unique services provision to finalize Reuse placements (Council Policy 7-12). The current RFQ list for larger satellite sites is active until 2024; and the list for smaller neighborhood sites is active until 2026. With any new Reuse vacancy/opportunity PRNS will appropriately work through the existing provider list, and will document the reasons for utilizing the approved unique-services provision as needed.

Green: The PRNS Administration agrees with this recommendation.

Target Date of Completion: December 2018

/s/

JON CICIRELLI

Acting Director

Parks, Recreation and Neighborhood Services