CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO: NEIGHBORHOOD SERVICES AND EDUCATION COMMITEE

FROM: Jon Cicirelli

SUBJECT: **CITY COUNCIL PRIORITY #5: DOWNTOWN AND/OR CITYWIDE PARKS OPERATIONS AND MAINTENANCE FINANCING DISTRICT**

DATE: April 29, 2019

Approved [signature] Date 5/9/2019

COUNCIL DISTRICT: Citywide

RECOMMENDATION

Accept the update from the Department of Parks, Recreation and Neighborhood Services on the status of City Council Priority #5: Downtown and/or Citywide Operations Financing District.

OUTCOME

This report will provide the Neighborhood Services and Education Committee with an update on City Council Priority #5: Downtown and/or Citywide Operations Financing District.

BACKGROUND

The Department of Parks, Recreation and Neighborhood Services (the Department) serves San José's one million residents through people, parks, and programs. While the Department's Vision and Mission are undergoing revision, as noted in the Greenprint Progress Report (now ActivateSJ), the essence remains "Building Community Through FUN."

The Department is responsible for operating and maintaining hundreds of parks and community facilities, and delivering programs for all ages, cultures, and abilities. The Department has creatively confronted challenges dating to the Great Recession, diligently maximizing the efficiency and effectiveness of financial and personnel resources under its stewardship, yet it remains challenged in providing services at the level staff and the community expect. Recognition of this challenge has spurred City Council direction for staff to explore sustainable funding sources other than the City's General Fund.

Parks, Trails, Community Centers, and Facilities

The Department is responsible for a vast system of parks, trails, community centers and facilities. This immense parks and recreation system profoundly impacts the community: A February 2016 report on the economic benefits of San José's parks and recreation system published by The Trust for Public Land[1] found that the services and facilities provided by PRNS have an annual economic impact of over $218 million for our residents, in addition to increased tax revenues of over $12 million from over $1 billion in enhanced property value.

The Department's dedicated workforce of 711 full-time equivalent staff, with up to 1,500 employees (including seasonal) throughout the year manages all aspects of the work and continued support for:

- 197 neighborhood parks and nine regional parks, covering 3,533 acres of parkland and open space with 284 playgrounds; 17 community gardens; 11 dog parks; three golf courses; Happy Hollow Park & Zoo; Lake Cunningham Actions Sports Park; the upcoming Arcadia Ballpark; and a Family Camp at Yosemite;
- 61 miles of trails for walking and biking; and
- 11 "hub" community centers and 39 re-use centers including the Grace Art & Wellness Program at Northside Community Center, and the Vietnamese-American Cultural Center at the Shirakawa Community Center;
- More than 785,000 community center program participants, over 500,000 park and zoo attendees, and over 1.3 million park event attendees; and
- The management of volunteer programs such as Adopt-a-Park, including over 160,000 volunteer hours.

The City's large inventory of parks, trails and community facilities is 150-years in the making. Alum Rock Park, California's first municipal park, was founded in 1872. The City's first community center, the Leininger Center, was dedicated in 1966. Many facilities have been added, expanded, or renovated since then, especially since November 2000 when San José's voters approved Measure P, the San José Safe Neighborhood Parks and Recreation Bond, authorizing the issuance and sale of $228 million of general obligation bonds to fund the acquisition of property and construction of improvements to neighborhood and regional parks, community centers and other recreational amenities within the City. This major infusion of capital funding has supported projects at 69 neighborhood parks, nine community centers, seven regional parks including the significant renovation of Happy Hollow Park & Zoo, and five trail projects. Remaining funds from Measure P will be used to complete the upcoming Arcadia Ballpark softball complex, as well as athletic fields and neighborhood park upgrades.

Many early Measure P projects, especially playgrounds, are nearing the end of their expected useful life. Staff has diligently inspected and repaired facilities to extend their useful lives to the greatest extent possible while maintaining safe conditions.

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[1] https://sanjoseca.gov/DocumentCenter/View/54093

Programs and Services

Across hundreds of parks and community facilities, the Department delivers programs and services across dozens of lines of business that meaningfully contribute to the community's safety, social connectivity and fabric, physical and emotional health and wellness, environment and beauty, and economic vitality. The diversity of programs and business lines reflects the Department's commitment to providing a wide range of quality programs and services for all ages, cultures, and abilities, as well as creating and activating community spaces. Programs and services include:

- Park stewardship and interpretation services performed by Park Rangers
- Gang prevention and intervention services like the Safe School Campus Initiative, Female Gang Intervention Team, and Clean Slate Tattoo Removal Program
- Placemaking and park activation such as Viva CalleSJ and Viva Parks
- Community building programs like Project Hope
- Community engagement and beautification programs like the Anti-Graffiti and Anti-Litter Programs and Adopt-a-Park Program (part of BeautifySJ)
- Early childhood education through the San José Recreation Preschool and expanded learning through the Recreation of City Kids afterschool program and Camp San José and other summer camps
- Aquatics programming at six City pools, including recreational swim and swim lessons
- Senior services, including the Senior Nutrition Program, to combat social isolation and encourage healthy aging
- Therapeutic services such as All Access Sports and Recreation.

As this selected list of programs suggests, meeting the diverse needs of the San José community, and ensuring access and inclusion for all is a priority that stretches the Department's staff and resources.

Budget Pressure and Service Innovation

The Department offers the community a diverse array of programs, at many locations throughout the City. More programs and locations, however, can mean more challenges. In the lead up to and aftermath of the Great Recession, the Department faced a number of challenges and capitalized on available opportunities. As described in an April 2016 memorandum[2] for a Parks, Recreation and Neighborhood Services Study Session, some key challenges have included:

- Parks maintenance staffing decreased during the recession, and outsourced small park landscaping and custodial services. Park conditions fell as reflected in the City Auditor's annual resident survey, where 55 percent rated San José's parks as good or excellent in 2018, compared to 68 percent in 2011.

[2] https://sanjose.granicus.com/MetaViewer.php?view_id=&event_id=2265&meta_id=567600

- Community center and services staffing decreased, which led to staffing models that offer fewer services to residents and had an impact on all programs and services delivered at or through community centers. Impacts included the loss of senior and aging programs; reductions to therapeutic recreation and inclusion programs and services; the loss of sports leagues for youth and adults; a decline in the number and hours that the community centers are open to the public; and the loss of critical staff support at each site to deliver programs and manage operations.

To address such major challenges, the Department has focused over the past decade on innovation in programs and service delivery models that make it more resilient, efficient, and responsive. Examples include:

- Alternative Service Delivery: The Department has implemented and utilized several alternative service delivery models to sustain services during the past decade. Faced with the divergent realities of reduced staffing for community centers together with new centers and increasing square footage during the City's Decade of Investment, the Department proposed and the City Council approved, Council Policy 7-12 for the Use of Community Center Reuse Sites in Exchange for Services That Primarily Benefit San José Residents. This allowed the Department to partner more effectively and efficiently with organizations to maintain community services that would have otherwise been eliminated due to budgetary constraints. Other examples of alternative service delivery included the outsourcing of maintenance of small parks (less than 2 acres), park restroom custodial services, and graffiti abatement and eradication.

- Partnership: In addition to traditional outsourcing, the Department has entered into a number of creative and productive partnerships to leverage the resources and expertise of community organizations in order sustain and grow services. For instance, the Rotary PlayGarden in the Guadalupe River Park and Gardens was built, funded, and constructed primarily by the Rotary Club of San José and is now operated and maintained by the Guadalupe River Park Conservancy. Other key partners include the Emma Prusch Farm Park Foundation, Happy Hollow Foundation, San José Parks Foundation, and Youth Connections Foundation.

- Business Intelligence: In 2013, after several years of budget reductions, the Department launched a Business Intelligence initiative to build a new and enhanced service delivery model for park maintenance. This model was designed to identify and expand best practices, institute new ways of providing service, and develop measurable processes to benchmark and evaluate successes and overcome challenges. At its heart is a set of processes and technologies that gather, store, report, and help to analyze data on maintenance efforts that can be transformed into meaningful and useful tools to enhance daily park operations. Staff has been able to qualify and quantify routine activities, painting a clearer picture of the annual volume and scope of work, identify and implement efficiencies, and identify gaps that need to be addressed.

- Parks Rehabilitation: In 2016-2017, the Department implemented a three-year pilot Parks Rehabilitation Strike Team to address deferred maintenance and infrastructure backlog needs at parks and recreation facilities, concentrating on rehabilitating and refurbishing parks, upgrading irrigation systems, and turf management at reservable sports fields and open spaces that are located within the nexus requirement associated with the use of fees paid by developers. During the pilot period, the team was funded by the Park Trust Fund, and its work was thus limited to the nexus of the developments that paid certain park impact fees; going forward, the 2019-2020 Proposed Operating Budget funds the team through 2021-2022, without nexus restrictions.

- Pricing and Revenue: Faced with the prospect of eliminating many community services, the Department proposed and the City Council adopted through the 2008-2009 budget process, Council Policy 1-21, the Pricing and Revenue Policy. This policy enabled the Department to be a more dynamic player in the market for classes, camps, and other activities that meet community needs. As a result of the policy and the Department's strategic shift towards financial sustainability and cost recovery, it nearly doubled the percentage of direct operating costs recovered through program fees, grants, and other revenues in just five years, from 22 percent ($15 million revenue) in 2008-2009 to 40 percent ($25 million revenue) in 2013-2014. By recouping costs in this way, the Department effectively reduced General Fund obligations required to maintain services.

- Scholarships and Access: A key tenet of the Pricing and Revenue Policy is ensuring affordable access through a scholarship program. Since the policy's approval, the Department has set aside a percentage of revenue collected to reduce barriers to access and participation in recreational activities. In April 2015, the Department unveiled a redesigned scholarship program that streamlined the application process, lowered and standardized the threshold for qualification, and better promoted and marketed scholarship opportunities across linguistic boundaries in English, Spanish, and Vietnamese. The results have been outstanding. The number of scholarship-based opportunities to participate in summer camps, San José Recreation Preschool, ROCK after-school program, and leisure classes grew almost 150 percent from 3,600 scholarship recipients receiving subsidies of $375,000 in 2014 to 8,800 recipients receiving subsidies of $884,000 in 2019.

These creative efforts have helped the Department turn the corner from the Great Recession, but they do not fully resolve underlying structural issues:

- Staff's diligent efforts to maintain parks and community facilities notwithstanding, the Department's infrastructure backlog has grown to an estimated $332.4 million. Staff is developing a more robust asset management system that will provide important data for strategically planning to reduce the infrastructure backlog. Anticipated capital funds are inadequate to meet the ongoing demands of the parks and recreation system. Recent audits of Community Center Reuse and the Police Activities League identified places

where the infrastructure backlog may not yet be fully understood, suggesting staff's estimate may be low.

- Parks maintenance staffing has increased over the last few years to maintain new parks, and the 2017-2018 Adopted Operating Budget added nine positions to address parks with the lowest Park Condition Assessments. Nonetheless, ongoing staffing falls far short of what is needed to maintain parks in good condition: In a February 2017 Report on Sustainable Park Maintenance[3], staff estimated that maintaining 80 percent of parks at a good condition (4.0 on a 5.0 Park Condition Assessment scale) would require an additional $15 million in annual funding (the 2017-2018 Adopted Operating Budget added $727,000 in ongoing funding).

- The growth of the Anti-Graffiti and Anti-Litter Programs, part of BeautifySJ, and the creation and expansion of Project Hope have brought renewed focus to the Department's neighborhood development and beautification, but they do not replace the scope of the former Strong Neighborhood Initiative.

The Department simply struggles to maintain and operate its current parks, trails, community centers, and facilities, as well as offer programs and services, at the level that staff, the community, and stakeholders want and expect. These challenges make it difficult to address current and emerging City Council priorities such as the Family Friendly Initiative, early education and digital literacy, and the transition of the Police Activities League business model.

Ballot Measure Exploration

The Department's resilience, innovation, and efficiency, as well as its challenges, have been recognized in the City Council's prioritization of the search for sustainable funding for the Department. City Council Priority #5, on the updated, ranked Council Policy Priority List[4] from March 5, 2019, is the Downtown and/or Citywide Operations Financing District. The policy priority is to study and make recommendations to the City Council for a long term financing district for parks operations and maintenance, looking citywide and at downtown as options. City Council Priority #5 is the result of direction and input that the Administration has received from the City Council over the past five years to evaluate various mechanisms to finance capital projects and operations and maintenance, including the following:

- In June 2014, the City Council approved a memorandum[5] from then Mayor Chuck Reed and Councilmember Sam Liccardo recommending that the City Manager "return to Council… with a program that… Establishes a Downtown Parks Maintenance District for High Rise and Mid Rise residential projects" as a new model to fund operations and maintenance for major Downtown parks.

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[3] http://sanjose.granicus.com/MetaViewer.php?meta_id=615431
[4] http://sanjoseca.gov/documentCenter/View/83120
[5] http://sanjoseca.gov/DocumentCenter/View/32404

- In November 2015, the City Council accepted the Saint James Park Revitalization Strategy[6], including the joint memorandum[7] from Councilmember Raul Peralez, Mayor Sam Liccardo, Councilmember Manh Nguyen, Councilmember Magdalena Carrasco and Councilmember Johnny Khamis, and directed "staff to return to City Council… with a feasibility study for the potential formation of a special financing district and/or other sustainable funding mechanism for operations, maintenance and capital repairs of Downtown Parks, as well as for all parks within the City of San José."

- In February 2017, a joint memorandum[8] from Mayor Sam Liccardo, and Councilmember Donald Rocha and Councilmember Sergio Jimenez recommended that staff develop a list of park projects that could be funded by a potential park bond as part of the work on the Greenprint (now ActivateSJ) update, which could lead to placing a park bond on the 2018 ballot.

- In November 2017, the City Council accepted a Greenprint Update and Funding Feasibility Study Progress Report[9], as well as a memorandum from Mayor Sam Liccardo and Councilmembers Sergio Jimenez and Donald Rocha[10], and a memorandum from Councilmember Johnny Khamis, directing the "City Manager to continue to study and prepare for a potential parks revenue measure in 2018 or 2020" and return to Council after "Phase 2" of the Funding Feasibility Study to update Council on the polling results. The staff report and presentation included a Park Finance Feasibility Study[11] from The Trust for Public Land, exploring funding options to address the need to develop and sustain reliable, ongoing sources of funding for land conservation, parks, and recreation purposes. Phase 2 of the Funding Feasibility Study was further community outreach and polling.

The Department is exploring long term sustainable funding solutions to provide ongoing funding for operations, maintenance, capital repairs, and new capital projects. A sustainable funding solution will help fill the financial gap needed to not only address the infrastructure backlog, but also deliver the desired level of programs and services in the future.

ANALYSIS

Work Completed

As reported to the City Council in November 2017, the Department commissioned and received a Funding Feasibility Study from The Trust for Public Land in summer 2017. The report

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[6] https://sanjose.granicus.com/MetaViewer.php?view_id=&event_id=1472&meta_id=540940
[7] https://sanjose.granicus.com/MetaViewer.php?view_id=&event_id=1472&meta_id=542000
[8] https://sanjose.granicus.com/MetaViewer.php?view_id=&event_id=2676&meta_id=622229
[9] Searchable at https://sanjose.legistar.com/Calendar.aspx
[10] Searchable at https://sanjose.legistar.com/Calendar.aspx
[11] http://www.sanjoseca.gov/DocumentCenter/View/71332

provided analysis of potential funding mechanisms available to the City, which would support recommendations and initiatives identified in the Greenprint (now ActivateSJ), such as operations, services, maintenance, and capital improvements for park and recreational facilities. The analysis included benchmarking of funding efforts conducted by other large jurisdictions, such as Los Angeles County.

In summer 2017, the City's contracted survey research consultants Fairbank, Maslin, Maullin, Metz & Associates, Inc. (FM3) conducted public opinion polling. The polling questions were designed to evaluate public appetite for a variety of taxation levels, support for priorities, and general electability of key mechanisms. Polling language was coordinated with City staff and the Mayor's Office, and evaluated public support for parks and recreation in comparison with many competing priorities. The 2017 poll showed a majority of voters support a variety of parks and recreation programs, but support for new funding fell several percentage points short of the two-thirds requirement for a specific tax. A second round of public opinion polling was conducted in spring 2018 and returned similar results; this second result was not unexpected since the Department did not conduct community outreach and education between these polls.

Work Underway

The Department continues to evaluate options for funding and will continue to pursue this in the coming months, including evaluating a ballot initiative for a parcel tax in 2020 to support citywide maintenance and operations. Beginning in spring and lasting throughout summer 2019, the Department, in coordination with the City Manager's Office, is implementing outreach campaigns to educate the community on the important services that the Department provides, as well as gaps in services. Staff is concurrently developing an expenditure plan that will outline projects and program priorities for any potential funding, should the City Council advance a ballot measure in 2020. During the same timeframe, the City Manager's Office will conduct public opinion polling for a variety of ballot measures that may be considered for 2020. Based on the results of the polling, the Administration will recommend next steps in fall 2019.

The Funding Feasibility Study Project, which is staff's implementation of City Council Priority #5, will also include the continued involvement of community stakeholders, representing a diverse group of community advocates and industry leaders, who will help staff to develop recommendations on how to proceed. It is envisioned that these stakeholders will act as champions should the City Council place a funding initiative on the ballot in 2020.

EVALUATION AND FOLLOW-UP

Staff will return to the City Council in fall 2019 with a recommendation on a potential ballot initiative for parks and recreation facilities, programs, operations, and maintenance.

PUBLIC OUTREACH

This memorandum will be posted on the City's website for the May 16, 2019 Neighborhood Services and Education Committee meeting. Outreach for the Funding Feasibility Study so far has included and will continue to include Stakeholder Group meetings and public opinion polling.

COORDINATION

This memorandum has been coordinated with the City Attorney's Office and the City Manager's Budget Office and Office of Administration, Policy, and Intergovernmental Relations.

COMMISSION RECOMMENDATION/INPUT

Staff will present an update to the Parks and Recreation Commission at its meeting on June 5, 2019.

CEQA

Not a Project, File No. PP17-009, Staff Reports, Assessments, Annual Reports, and Informational Memos that involve no approvals of any City action.

/s/
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For questions, please contact Avi Yotam, Division Manager, at (408) 535-3573.