



Memorandum

TO: NEIGHBORHOOD SERVICES
AND EDUCATION COMMITTEE

FROM: Jon Cicirelli

**SUBJECT: SCHOLARSHIPS AND FEE
ACTIVITY**

DATE: November 25, 2019

Approved

Date

12-3-19

RECOMMENDATION

1. Accept the report on Scholarships and Fee Activity; and
2. Provide feedback and direction regarding increasing community access.

OUTCOME

The Committee will be provided with historical and current information and analysis related to the Parks, Recreation and Neighborhood Services Department's Fees and Charges, the challenges faced by financially disadvantaged residents, and the impact of scholarships, needs, and equity.

BACKGROUND

The Parks, Recreation and Neighborhood Services Department (the Department) fosters healthy environments and active lifestyles and strives to enrich the community by creating real-life social networks and dynamic places and programs. The Department has one of the most diverse service models of any agency of its type and seeks to improve the lives of residents by fighting blight, organizing struggling communities, building, and maintaining vibrant public spaces, and offering recreational programming that is accessible to every resident in the city.

The Department's delivery of services is focused by our guiding principles:

- Stewardship
- Nature
- Equity and Access
- Identity
- Public Life

The Department weathered the recession years by delivering high-quality experiences to residents and customers, while offsetting the City's General Fund expenses by recovering costs

through increased program fees. As a Department that seeks to ensure that all residents regardless of ability or income have access to services, staff is keenly aware of the barriers that these cost-recovery efforts place on members of the community who struggle to make ends meet in one of the most expensive regions of the country.

ANALYSIS

Over the past decade, the City has been slowly rebuilding and redesigning services as it managed through the Great Recession. Compared to staffing in 2002-2003, the Department's 2011-2012 staffing numbers were reduced nearly 50 percent. The Department began to reinvent itself as a cost-recovery department. In 2014-2015, the overall cost recovery rate doubled to 40 percent, in large part by raising Fees and Charges-based revenues. Over this period, revenue increase from \$8 million to more than \$23 million in 2019-2020 year (a 188 percent increase). All of this was achieved through policy and operational changes with a view towards mitigating reductions to community services by minimizing the Department's reliance on the General Fund.

During the recession years between 2007 to 2012, the Department developed and implemented the following:

- City Council Pricing and Revenue Policy 1-21 (<https://www.sanjoseca.gov/home/showdocument?id=12883>);
- An overall 40 percent cost-recovery target;
- A new registration and e-commerce system and customer portal (ACTIVE Net);
- The Neighborhood Centers Partner Program (formally Re-use); and
- An increase in the use of vendor contracts to augment key City services.

All of these efforts were priorities as the Department, like the rest of the City, was challenged to meet deficit targets, namely by making reductions in all key service areas, including those in maintenance, youth intervention, and therapeutic and gerontology recreational services.

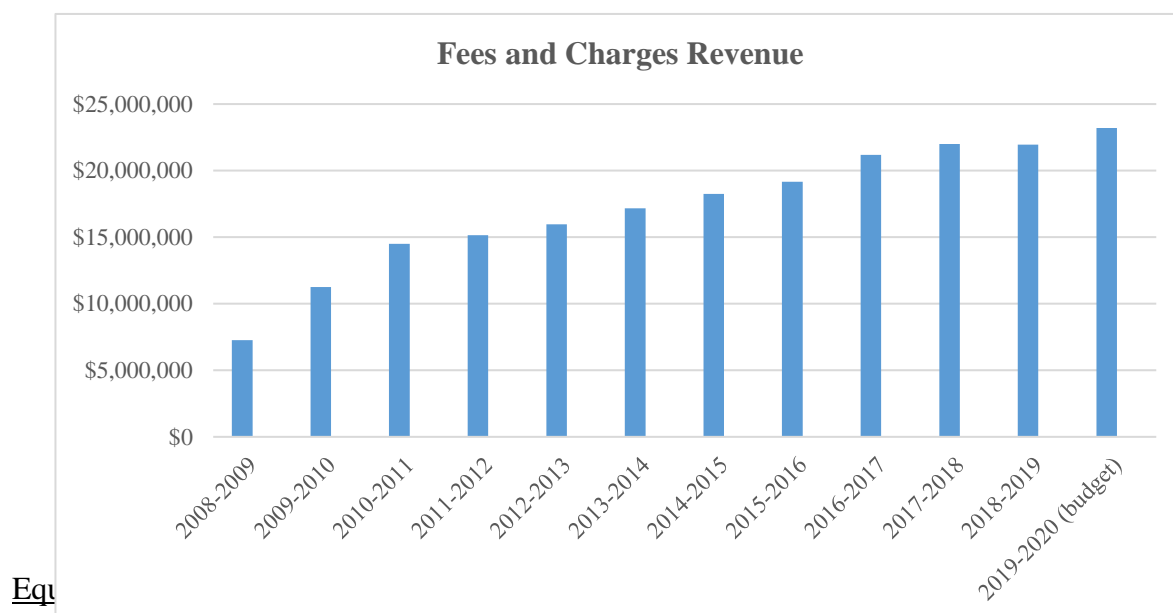
Council Policy 1-21 Pricing and Revenue

In 2009, the City Council approved Policy 1-21, to create “a financially sustainable approach for recreational services and facilities, maximizing the use of programs and facilities and ensuring affordable access to programs and services.” The policy increased the Department's ability to achieve cost recovery goals and preserve key services by decreasing dependence on the General Fund. Policy 1-21 authorizes the City Manager or his/her designee (Department Director) to set all Department user fees and pricing strategies in accordance with annual City Council approved cost recovery percentage goals set forward in the annual Fees and Charges budget document. The policy identifies three levels of benefit that the customer and the community at-large receive from the program/service and provides general parameters on the levels of public subsidy afforded to those services. In implementing this policy, the Department has been able to nimbly adjust pricing in accordance with market conditions, rising operating costs, and the community's capacity to afford programs and services, to reach the Department's stated sustainability goals. A

summary and brief description of these categories and respective benefit levels are provided below:

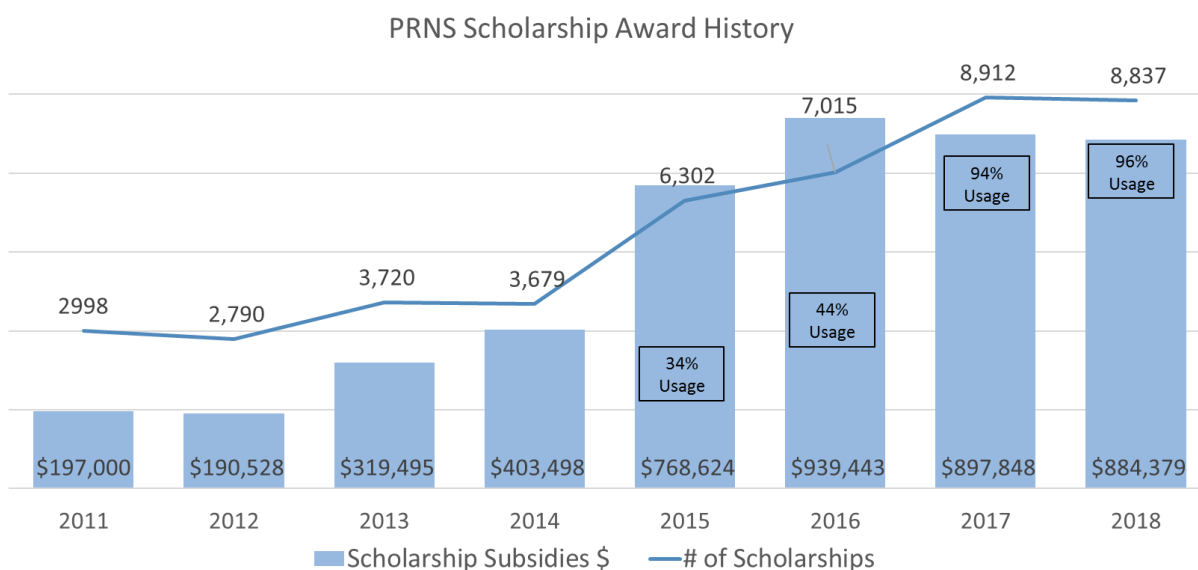
Public	Services with the highest level of community benefit and are highly subsidized. Examples of public services are trails and neighborhood/regional parks.
Private	Services with an individual/private benefit, minimal-to-no community/public benefit. An example is adult piano lessons which have minimal benefit to the public. Private services have minimal-to-no subsidy and costs are paid by the participant.
Merit	Services with a community/public benefit and an individual/private benefit. Swimming lessons are an example as they address a health and safety concern and provide a community benefit. There is also an individual benefit to the participant gaining a new skill. Merit programs have a cost-sharing model that combines a subsidy with partial offset of costs by the participant.

Currently, the vast majority of recreational offerings fall in the Merit categories; however, as a recession recovery strategy, core services such as ROCK afterschool program and San José Recreation Preschool have effectively been priced and operated as a Private benefit. The Department has generated an average of more than \$20 million per year in revenue over the past five years, and since 2009-2010 has offset General Fund costs with almost \$200 million in revenue. This highlights the direct value that the Department's financial sustainability efforts have had in maintaining recreational services offered to the community, and the benefits to other valuable General Fund-supported programs and services Citywide.



The Department has started to re-focus its efforts so that no resident is limited in accessing core health and recreational services. This effort is directly framed within the “Equity and Access” guiding principle of the Department’s ActivateSJ Strategic Plan. This principle states that “all San José residents – whatever their age, gender identity, income, ability or culture – have a right to health, wellness and access to parks and recreation opportunities.” As a leader in the City’s GARE (Government Alliance on Racial Equity) learning cohorts, the Department understands the need to bring forward data-driven analysis to align limited resources into historically disadvantaged communities.

A key component of the Department’s equity approach is the scholarship fund which grew from approximately \$200,000 in 2011 to \$884,379 in 2018. The Department used its Fee Activity revenue, grants, sponsorships, and partnerships to grow the scholarship fund. Notable is the Department’s ability to increase customer utilization of scholarships from 34 percent to 96 percent (see chart below). To achieve this, the Department focused on minimizing administrative barriers by establishing less rigorous proof of eligibility requirements, adjusting scholarship distributions on a quarterly basis based on community needs and available scholarship balances, and growing the scholarship funding through grants, partnerships, and the City’s budget process.



In 2018, the Department provided 8,837 scholarships citywide with the greatest usage by residents living in Council Districts 7, 5, and 3. While this has been a tremendous effort, families continue to struggle to access programs and services. As such, the Department began re-evaluating its scholarship efforts, program pricing, and resource needs based on Equity and Access goals. Prospectively, the Department’s continued focus on cost-recovery should be

balanced with the need to support communities where fees place an additional burden on families.

CONCLUSION

The Department undertook strategic efforts to maintain and grow needed services through actions focused on offsetting growth in its General Fund expenses with regular fee increases. With stabilized revenue, the Department continues to focus on ensuring residents have access to supportive recreational programs. The Department strives to have every program accessible to every resident, regardless of their ability to afford the cost. Key strategies that the Department may undertake to achieve this goal include:

- Re-evaluate the Department's Fee structures of core family-friendly programs;
- Reduce fees in high need communities;
- Increase scholarships through grants, sponsorships, and through the City's budget process;
- Increase communications and marketing efforts to ensure families are aware of scholarship opportunities.

EVALUATION AND FOLLOW-UP

Pending direction from the Committee, the Department will:

1. Examine program offerings through a more focused Public/Private/Merit analysis centered on needs and equity;
2. Explore increased availability of scholarships;
3. Continue to utilize data to assess scholarship usage and community impact; and
4. Coordinate with the Budget Office on any impacts to the General Fund.

CLIMATE SMART SAN JOSE

The recommendation in this memorandum does not have any impact on Climate Smart San José energy, water, or mobility goals.

PUBLIC OUTREACH

This memorandum will be posted on the City's website for the December 12, 2019 Neighborhood Services and Education Committee meeting.

COORDINATION

This memorandum has been coordinated with the City Attorney's Office and the City Manager's Budget Office.

COMMISSION RECOMMENDATION/INPUT

This memorandum will be presented to the Parks and Recreation Commission at its December 4, 2019 meeting, and Commission feedback will be provided to the Committee.

CEQA

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

/s/

JON CICIRELLI

Director of Parks, Recreation
and Neighborhood Services

For questions, please contact Neil Rufino, Deputy Director, at (408) 535-3576.