

Memorandum

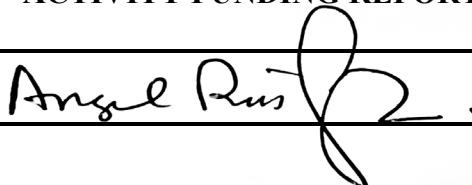
TO: NEIGHBORHOOD SERVICES
AND EDUCATION COMMITTEE

FROM: Jon Cicirelli

**SUBJECT: YOUTH PROGRAMMING,
SCHOLARSHIPS AND FEE
ACTIVITY FUNDING REPORT**

DATE: March 22, 2021

Approved



Date

3/30/31

RECOMMENDATION

Accept the report on Youth Programming, Scholarships and Fee Activity Funding.

OUTCOME

The Committee will be provided with analysis of the costs associated with operating youth programming in relation to fee activity funding at maximum capacity and updated scholarship usage during COVID-19. This report follows up on a request from the Committee in December 2020.

BACKGROUND

On December 10, 2019, the City Council approved the Parks, Recreation and Neighborhood Services Department's (the Department) ActivateSJ Strategic Plan to achieve a parks and recreation system that builds healthy communities that inspire belonging through five guiding principles: 1) Stewardship; 2) Nature; 3) Equity and Access; 4) Identity; and 5) Public Life. The guiding principle of Equity and Access describes the Department's aspiration to provide exceptional experiences for all people in San José regardless of age, ability, income, or neighborhood.

To operationalize this aspiration, ActivateSJ's Equity and Access (EA) Benchmark 5, prioritizes *evaluating revenue-generating programs and increasing scholarship assistance programs* (EA5) by updating the Pricing and Revenue Council Policy 1-21 (<https://www.sanjoseca.gov/home/showpublisheddocument?id=12883>) to align subsidies with intended outcomes related to public, merit, and private services (EA5a); and expanding and marketing the scholarship program to increase donations to meet growing needs (EA5b).

In 2019, through the ActivateSJ development process, the Department began to reflect on the unintended impacts of the cost-recovery approach the City adopted to preserve program and service delivery during the Great Recession over a decade ago. The Department began re-evaluating the implications of the Pricing and Revenue Policy 1-21, which drove the implementation of pricing models aimed at maximizing revenues to offset the City's General Fund expenses for providing those programs. Specifically, the Department has been re-considering the level of subsidy given to key programs based on the level of benefit afforded to the community at large. These categories include Public (broad community benefit), Merit (large sections of the community benefit), and Private (participant-specific benefit) benefit programs and services.

In some cases, certain "Fee Activity" programs, which are currently categorized as Private-level services at 100% cost-recovery, may better be categorized as Merit-based services (such as the Recreation of City Kids [R.O.C.K.] afterschool and the San José Recreation Preschool programs). These programs support the entire community by providing a safe environment for children and youth that promote social, emotional, and academic development, reduce risk factors, and promote health. In these cases, the emphasis on 100% cost recovery creates barriers to full participation for families who are economically disadvantaged, even when participant fees are partially offset by the Department's scholarship program. While the growth in scholarship funds has provided greater access to more members of the community over time, they have not kept pace with the increasing cost of doing business or the need to raise pricing to offset these increases. For that reason, a structural barrier exists that detracts from the Department's ability to ensure that access to high-demand programs is consistently available and affordable to all.

This memorandum provides an update to the Neighborhood Services and Education Committee discussion on December 10, 2020, and in response to the City Council Meeting on February 2, 2021.

1. Analyze fee activity youth programs and perform a cost analysis to report back on the full cost of operating these programs without a revenue offset at maximum capacity.
2. Provide an update on scholarship usage during COVID-19 and examine opportunities for continued and increased financial support that is necessary for families.
3. Perform a cost analysis of operating a full-day preschool model, utilizing data from the current Human Resources classification study.

ANALYSIS

The Department completed a cost analysis of fee activity programs that are offered to youth citywide, with the assumption that they would operate at maximum capacity if fees were not required. Table 1 illustrates the cost and an impact statement, which provides details on the amount of youth served and program details.

Table 1

Program	Total Costs (If Offered Free) With current staffing Model*	Impact Statement
Aquatics	\$ 2,053,773	68,402 participants at 6 pools
San José Recreation Preschool (Current Model)	\$ 3,016,550	956 participants at 15 locations
R.O.C.K.	\$ 4,928,665	1,080 participants, K-8th grade, at 25 locations
Camp San José	\$ 2,290,591	8-week, full-day camp model to 9,920 participants, 5-12 years of age, at 14 locations
Camp San José (Junior)	\$ 2,363,920	Half-day camp model to 2,560 participants, between the ages of 3-5, at 15 locations
Leisure (Specialty Summer Camps/Leisure Programs)	\$ 2,557,775	Enrichment classes and specialty camps to 41,861 duplicated participants (children/youth).
Sports Leagues	\$ 101,103	One full year of sports programming for 1,360 youth at 2 locations.
Therapeutics	\$ 821,705	Therapeutic programming to 584 participants (children/youth/adult).
Therapeutics Camps	\$ 1,774,684	Therapeutic camps to 112 participants (children/youth/adult).
Total	\$19,908,768	

Table 2 illustrates the projected increase in participants that we would expect by removing the fees attached to the programs, by utilizing participant rates from fiscal year 2018-2019.

Table 2

Program	# of Participants (Max Capacity)	Participants in 2018-2019 Fiscal Year	Increase
San José Recreation Preschool (Current Model)	936	728	208
R.O.C.K.	1,080	1,019	61
Camp San Jose	9,920 (8-week program)	6,096	3,824
Camp San Jose Jr.	2,560	1,554	1,006
Leisure (Specialty Summer Camps/Leisure Programs)	41,861	33,953	7,908
Sports Leagues	1,360	1,141	219
Therapeutics	584	473	111
Therapeutics Camps	112	28	84
Total	57,975	44,992	13,421

During the City Council Meeting on February 2, 2021, the Department was asked to provide a cost analysis on operating a full-day preschool/daycare model and to include this data in the April report to this Committee. Table 2 provides the cost of a full-day preschool model operating at four locations. Almaden, Seven Trees, Roosevelt, and Mayfair Community Centers were chosen for this analysis due to these sites currently meeting full day licensing requirements or needing minimal modifications to meet those requirements for physical improvement. This program would serve 91 preschoolers, in seven total classrooms and would run for five days a week, and eight hours per day.

Table 3

Program	Total Costs If Offered Free	Impact Statement
Full-Day San José Recreation Preschool (Preschool) (4 Locations)	\$2,814,489 – Ongoing \$530,000 – One-time approximate cost to set up playgrounds at the 4 locations.	The conversion of existing Preschool programs at 4 locations into a full-day preschool/daycare model, serving 91 youth.

Table 3 provides the estimated cost of adding one location to each the three programs listed. The impact statement provides the number of youth that would be served with the listed associated cost.

Table 4

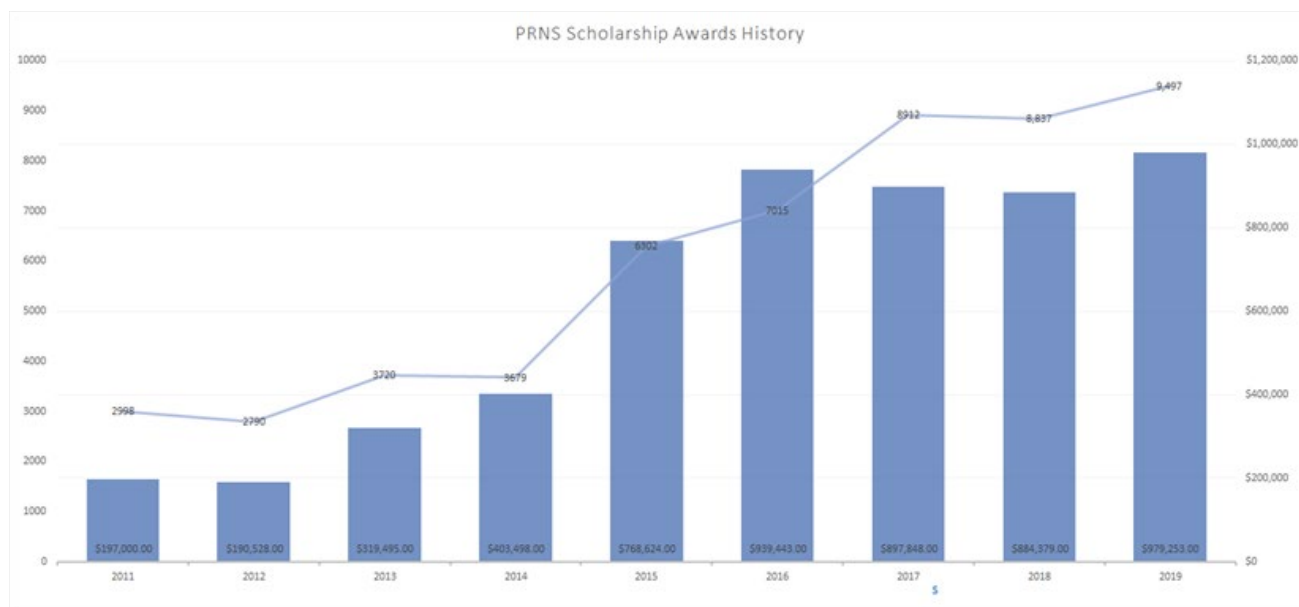
Program	Cost of Operating one site	Description
Camp San José	\$57,851	This would serve a total of up to 30 participants.
Preschool	\$120,504	This would serve a total of up to 48 participants.
R.O.C.K.	\$68,965	This would serve up to 40 students and does not include the facility cost, which varies by location and school district

The data in the tables above provide the operational costs for maximizing participation for a variety of programs based on existing space and staffing capacities. However, it is important to note that in addition to these costs there are revenue impacts to the General Fund. For example, three programs that directly serve youth produced a combined \$5,515,040 in revenues during FY2018-19:

- Camp San José - \$1,443,307;
- San José Recreation Preschool - \$1,362,342; and
- R.O.C.K. Afterschool - \$2,709,391.

Scholarship

A key component of the Department's approach to provide affordable access is the scholarship program, which has steadily grown from approximately \$200,000 in 2011 to over \$1.1 million in 2019, and is illustrated in the Department's Scholarship Awards History bar graph below.



The growth in scholarship resources is attributable to the increase in Fee Activity revenues and other created revenues such as grants, sponsorships, and partnerships. During the COVID-19 emergency, the Department provided all-day childcare options for families of essential workers through Camp San José Strong, R.O.C.K. 'n' Learn, and half-day preschool programming. These services were provided for free, using federal CARES Act Local Assistance funding and the Department's budgeted scholarship funding to ensure 100% subsidized participation for qualified families. With the additional funding source, the Department has distributed nearly \$2.5 million in scholarship funding for families in need in less than one year, which is broken down by program in Table 4 below.

Table 4

Scholarship	Amount Awarded
2020-2021 ROCK 'n' LEARN Scholarship	\$2,129,839
2020 Camp SJ Strong	\$303,244
2020-2021 Preschool Scholarship	\$99,447
Total Scholarships Awarded	\$2,532,530

CONCLUSION

To advance full participation in the Department's youth-serving programs regardless of income and neighborhood, the Department is illustrating the full costs associated with those programs without revenue offsets that have been the underpinning of the financial structure for over a decade. While the scholarship opportunities have grown over the years, families with limited

income continue to be priced out. This analysis is provided to help inform discussion on how to balance current and ongoing budgetary implications with the City and the Department's strategic goal of valuable, quality recreation, and community services being accessed equitably.

The Department continues to work with the City Manager's Budget Office to evaluate program-specific impacts to the General Fund due to pricing reductions and/or increases in scholarship funding. With the analysis and information provided in this memorandum, there are key questions about the net impacts that increased General Fund support and/or increased scholarship funds will have on the City's budget balancing obligations. For example:

- What are the implications of stepping away from the approach set forth in Policy 1-21 with a goal of 100% cost-recovery for what are currently categorized as Private-benefit Fee Activity programs (Preschool, R.O.C.K., etc.)?
- What are the budget implications of categorizing recreation and education-based programs like Preschool, Camp San José Strong, R.O.C.K. 'n' Learn, etc. as Merit or Public benefit-based programs with less than 100% cost-recovery targets in place?

The impact of COVID-19 on our most vulnerable residents who face historic and pervasive institutional barriers has accelerated the Department's implementation of the ActivateSJ strategic Equity and Access goals. With Coronavirus Relief funding, the opportunity to expand access to essential programs absent cost-recovery goals highlighted insights into the Department's cost-recovery approach.. The Department is committed to evaluating which programs and services can be prioritized for equitable availability and access.

EVALUATION AND FOLLOW-UP

The Department will continue through the fiscal year 2021-2022 Budget process to determine the feasibility of shifting programs private to merit and the extent of scholarship funding available.

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 April 8, 2021, Neighborhood Services and Education Committee meeting.

March 22, 2021

Subject: Youth Programming, Scholarships and Fee Activity

Page 8

COORDINATION

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

COMMISSION RECOMMENDATION/INPUT

No commission recommendation or input is associated with this action.

CEQA

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

/s/

JON CICIRELLI
Director of Parks, Recreation
and Neighborhood Services

For questions, please contact Andrea Flores Shelton, Interim Deputy Director, at andrea.floresshelton@sanjoseca.gov.