CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST

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January 12, 2006

Honorable Aaron Peskin, President
and Members of the Board of Supervisors
City and County of San Francisco
Room 244, City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

Dear President Peskin and Members of the Board of Supervisors:

The Budget Analyst is pleased to submit this *Management Audit of the Recreation and Park Department.* On May 3, 2005, the Board of Supervisors adopted a motion directing the Budget Analyst to conduct a management audit of the Recreation and Park Department, pursuant to its powers of inquiry defined in Charter Section 16.114 (Motion No. M05-67). The purpose of the management audit has been to: (i) evaluate the economy, efficiency and effectiveness of the Recreation and Park Department's programs, activities, and functions and the Recreation and Park Department's compliance with applicable State and Federal laws, local ordinances, and City policies and procedures; and (ii) assess the appropriateness of established goals and objectives, strategies, and plans to accomplish such goals and objectives, the degree to which such goals and objectives are being accomplished, and the appropriateness of controls established to provide reasonable assurance that such goals and objectives will be accomplished. The scope of the management audit includes all of the Recreation and Park Department's programs, activities, and functions.

This management audit report reviews the Recreation and Park Department in terms of:

- Resource planning and allocation.
- Performance management.
- The Open Space Fund.

- Golf course funding, resource allocation, and management and operations.
- Management of revenues, leases, permits, and cash.
- Park patrol.
- Maintenance management.
- Fleet management.
- Capital Program management, funding, and project budgets.

The management audit was conducted in accordance with *Governmental Auditing Standards, 2003 Revision*, issued by the Comptroller General of the United States, U.S. General Accountability Office. The management audit staff presented a draft report to the Recreation and Park Department General Manager on December 7, 2005, and held an exit conference with the General Manager and key members of the Recreation and Park Department's management staff on December 16, 2005, to discuss the draft report. Subsequent to careful consideration of the additional information provided by the Recreation and Park Department after submission of our draft report to the Recreation and Park Department, the management audit staff prepared a final report. The Recreation and Park Department has provided a written response to the Budget Analyst's *Management Audit of the Recreation and Park Department*, which is appended to this report, beginning on page 261.

Key Issues Facing the Recreation and Park Department

The Recreation and Park Department is responsible for recreational and park facilities covering approximately 5,400 acres of land spread over 230 sites including the 1,017 acre Golden Gate Park, over 80 neighborhood parks, Camp Mather in the High Sierras, Sharp Park in Pacifica, and the Furhman Bequest Property in Kern County.[1] The Department is responsible for physical facilities comprising 150 tennis courts, 145 children's play areas, 118 sports fields, 75 basketball courts, 50 neighborhood club houses, 45 bathroom facilities, 42 maintenance facilities, 27 recreation centers, ten field houses, nine swimming pools, six golf courses with five clubhouses, four stadiums, two carrousels, two windmills, two marinas, an arts and crafts studio, a children's museum, a zoo, and a summer camp compound. The Recreation and Park Department also manages 40 community gardens on City-owned property. Among all of these property holdings are ten historic landmarks. The Department is also responsible for a number of undeveloped land parcels. Nevertheless, according to the *Assessment Study: 1998-1999,* which evaluated the condition of Recreation and Park Department facilities, "In terms of total park acreage San

[1] The Furhman Bequest Property is ranch land bequested to the Recreation and Park Department and the Library for recreational purposes. It is currently leased for paintball games and ranching.

Francisco has roughly half (five acres) of the national standard of 10 acres per 1,000 residents. In addition, much of San Francisco's park acreage is on hillside areas which, while certainly serving an open space function, do not translate into either active facilities or distributed community parks."

As a result of conducting this management audit, the Budget Analyst has identified four key issues facing the Recreation and Park Department:

1. The Recreation and Park Department needs to plan for and respond in a timely manner to the City's and the Recreation and Park Department's changing operating and capital needs.

The Recreation and Park Department needs to plan recreation and park programs that meet the needs of the City's population as the City's neighborhoods, demographics and leisure time preferences change. For example, the Recreation and Park Department has not kept pace with the increased demand for fitness facilities and for adventure sports, such as rock climbing, skateboarding, cycling, hiking, and kayaking, as discussed in Section 4 of this report.

The Recreation and Park Department needs to plan comprehensively for the Recreation and Park Department's capital and land acquisition requirements, including (a) addressing seismic deficiencies in buildings housing the Recreation and Park Department's administrative staff, (b) developing formal criteria for property acquisitions and capital improvement project evaluation and selection, and (c) determining the best and highest uses of the Recreation and Park Department's properties.

The Recreation and Park Department established a Planning Division in the fall of 2004, which was a key step in increasing the Recreation and Park Department's planning capacity.

2. The Recreation and Park Department needs to focus on its core functions.

Over time, the Recreation and Park Department has been given responsibility for non-core functions which are not specifically recreation or park functions, such as youth employment and after school programs. The Recreation and Park Department has provided such non-core services based on an informal assumption that managing a facility includes direct provision of the services provided within that facility. Consequently, the Recreation and Park Department staffs most recreation center programs, even if other organizations can provide such programs more effectively and economically. The Recreation and Park Department has entered into a pilot program with the Department of Children, Youth, and Families in which community based organizations will provide children's and families' programs in Recreation and Park Department facilities. The Recreation and Park Department should evaluate this pilot as a model for providing programs and services that do not fall within the core functions of the department.

3. The Recreation and Park Department needs to ensure sufficient management oversight and management systems.

The Budget Analyst found inadequate management oversight in many of the Recreation and Park Department's key functions, including employee performance and productivity, property and lease management, monitoring of permits and reservations, cash handling, and closing out of capital projects. The Recreation and Park Department has implemented a new management structure in FY 2005-2006, and funded new management positions, including a Director of Operations, a Director of Partnerships and Property Management, a Neighborhood Services Manager, and a Citywide Services Manager.

The Recreation and Park Department's Strategic Plan has called for a management audit since 2002. According to the Recreation and Park Department's FY 2005-2006 Efficiency Plan, the Budget Analyst's management audit will "provide critical feedback on [the Recreation and Park Department's] actions in the years to come," and the Budget Analyst's "recommendations from this audit are anticipated to provide significant guidance in forming the priorities for 2006 and the next Efficiency Plan".

4. The Recreation and Park Department needs to increase and diversify its revenue base.

The Recreation and Park Department struggles to live within its current budget, as evidenced by its reliance on high rates of employee attrition to remain within its budget appropriations. The department also faces a Capital Program estimated funding shortfall currently estimated to be $589,125,057. While the Recreation and Park Department is primarily responsible for the provision of affordable recreation and highly subsidized public access to parks, it does not maximize its current permit, fee, and property revenues. Nor does the Recreation and Park Department maximize its revenues from commercial opportunities such as the tournaments operated by the Professional Golfers' Association (PGA) Tour, Inc. at Harding and Fleming Golf Courses. The October of 2005 World Golf Championships - American Express Championship tournament held at Harding and Fleming Golf Courses resulted in direct costs exceeding revenues by $141,619. In order to fully fund the Capital Program Phases I through III, the Recreation and Park Department will need to consider the full range of available funding options, including working much more closely with grant agencies, philanthropic donors, other public sector agencies which have overlapping needs and facilities, and the business and corporate sector. The Recreation and Park Department needs to develop, and win support for, ongoing funding mechanisms to support (a) its own ongoing capital asset maintenance obligations, (b) its ongoing capital asset maintenance obligations related to other organizations' capital programs, and (c) its future facility replacement program.

Management Audit Recommendations

This management audit report of the Recreation and Park Department includes 18 findings and 169 related recommendations prepared by the Budget Analyst. A list of the management audit recommendations is shown in the Attachment to this transmittal letter.

Implementation of the Budget Analyst's recommendations would result in estimated ongoing savings or increased revenues of approximately $1,534,436 annually, and one-time savings of approximately $141,619.

The Budget Analyst has recommended new or reallocation of positions, resulting in increased costs to be funded by a portion of the $1,534,436 in identified savings or increased revenues, including:

(a) $115,000 to pay for assigning 30 custodians to the evening shift, resulting in an 8 percent evening shift differential and assigning 8 custodians to lead work, resulting in lead pay of $5 per day, offset by salary savings of $118,000 to reduce recreation director positions by 2.0 full time equivalent positions.

(b) $87,000 to pay for 1.5 new full time custodian positions, funded by a recommended $1.00 increase in adult swimming pool fees, from $4.00 to $5.00, totaling an estimated $89,000 annually in new revenues.

(c) $316,119 to pay for two Maintenance Planner positions and one Supervisor position, offset by salary savings of $311,243 to delete four trades positions, which have been vacant for at least one year, resulting in total increased costs of $4,876.

The following sections summarize our findings and recommendations.

Section 1. Allocation of Recreation and Aquatic Staff Resources

The Recreation and Park Department lacks productivity standards to determine the total number and best allocation of recreation staff to meet the Department's program needs. Consequently, the Department has overstaffed the larger recreation centers during the middle of the day, when the Department has the fewest recreation programs. For example, at Oceanview Recreation Center, on a Tuesday afternoon between 12 and 1 p.m., four recreation staff were on duty, but no programs were offered and no members of the public were present. Two of the staff members spent a portion of the hour in the gym playing basketball. Other recreation centers, such as the Upper Noe Valley and Glen Park Recreation Centers, were overstaffed during site visits. In one instance, none of the recreation staff scheduled to work could be found during the first half-hour when the facility was supposed to be open.

The Department does not maintain consistent staffing levels or hours at all recreation facilities. In the sixteen largest recreation facilities, the number of hours the facilities are open per full time equivalent position varies from a low of 9.6 hours per full time equivalent position to a high of 19.8 hours per full time equivalent position. Further, the staffing levels at these facilities do not correlate with the number of weekly program users reported, which range from 184 program users per full time equivalent position to 2,445 program users per full time equivalent position.

Developing performance and productivity standards would allow the Department to better determine the need for and allocation of recreation staff. The Department has 202 full time equivalent recreation staff positions, consisting of employees who work both full time and part time. In 1999 the Department increased the hours of 30 part time recreation staff to full time, resulting in a net increase of 2.0 full time equivalent positions. The Budget Analyst recommends reducing the hours of eight recreation directors currently scheduled full time, from 8 hours per day to 6 hours per day, to eliminate midday overstaffing at the larger recreation centers, totaling 2.0 full time equivalents, and resulting in $118,000 annual salary and fringe benefit savings. The Budget Analyst has recommended that these savings be allocated to reassigning 30 Neighborhood Services custodians to the evening shift and creating lead custodian positions as discussed in Section 2 of this report.

Swimming pool fee revenues make up less than 10 percent of the annual swimming pool operating budget, or $318,500 in fee revenues compared to an operating budget of $3.38 million in FY 2004-2005. The Recreation and Park Department needs to increase swimming pool fee revenues by increasing both attendance and adult swim fees. Swimming pool attendance varies by season and by facility. Monthly swimming pool attendance in FY 2004-2005 ranged from approximately 31,000 in July 2004 to only 13,000 in December 2004. Also, the three pools which were newly reopened – Martin Luther King Jr. Pool, North Beach Community Pool, and Coffman Community Pool – reported attendance in July and August of 2005 far below pool capacity. For example, in August 2005, Martin Luther King Jr. Pool reported attendance of 2,635, which is 45.9 percent of total capacity of 5,745 and Coffman Pool reported attendance of 1,923, which is 60.7 percent of total capacity of 3,170. North Beach Community Pool did not report attendance in August 2005, but reported attendance of 1,434 in July 2005.[2]

The Recreation and Park Department will not be able to charge higher fees and attract new users without significant improvements in locker room, toilet, and pool cleanliness. The Department of Public Health July 13, 2005 inspection of Rossi Pool found the women's showers to be "unsanitary" and the July 27, 2005 inspection of the Sava Pool found the men's shower to be mildewed and unclean.

[2] The Recreation and Park Department has not provided capacity data for the newly-reopened North Beach Pool, but the North Beach Pool facility consists of two full-size swimming pools.

Swimming pools are closed unexpectedly due to inadequate staffing, or maintenance and sanitation problems. In calendar year 2005, the Recreation and Park Department closed the swimming pools unexpectedly on 35 different occasions, a 75 percent increase in pool closures. The Recreation and Park Department closed pools 10 times in 2004 and nine times in 2005 due to problems with water clarity or contamination.

If the Recreation and Park Department increased attendance during the winter months, and at pools that are currently below capacity, by 10 percent, the Department's revenue would increase by approximately $30,000 annually. If the Recreation and Park Department were to increase the fee for adult lap and recreational swimming by $1.00, from $4.00 to $5.00, the Department could increase revenues by approximately $89,000 annually. To increase fees, the Department would have to assure pool customers that the locker rooms and toilets would be well maintained, and therefore, such increased revenues should be allocated for funding up to 1.5 custodian positions, with salary and mandatory fringe benefit costs of approximately $58,000 per position, or $87,000 for approximately 1.5 positions (1.5 x $58,000 = $87,000).

Section 2. Allocation of Gardener and Custodian Staff Resources

The Recreation and Park Department lacks the management tools to determine the number of gardener and custodian positions that it needs or how to allocate these positions to the Department's parks and recreational facilities in order to provide optimal levels of service within existing staff resources. The Department cannot demonstrate that it is spending its money on gardener and custodian resources in the best or most efficient way. Currently, the Department has 215 gardeners and 59 custodians.

The Department is in the process of implementing park maintenance standards as required by Proposition C, passed by the voters in November 2003, and out of these standards expects to develop productivity standards for gardeners. Two years after the adoption of Proposition C, the Department has established regular maintenance schedules for parks and completed one set of park evaluations between June 2005 and September 2005, but has not yet analyzed the evaluation results or released these results to the public.

The Recreation and Park Department lacks a system to ensure best use of custodian resources. Although many Department facilities are open in the evening all but one custodian are assigned to the day shift. Facility cleaning occurs early in the day, when recreation directors are conducting programs, leading to problems with wet floors, closed bathrooms, and other issues.

Some custodians are assigned to single recreational facilities and others are assigned to multiple facilities, depending on the size, location, type, use and condition of the facilities. Although the Department does not have data on the relative productivity of different custodian assignments, interviews with department staff disclosed that custodians at some facilities have significant down time while other custodians at other facilities are fully assigned, and that different facilities are maintained to different standards. Some facility cleaning is clearly inadequate, such as the once per week cleaning of some swimming pool locker rooms and toilets, resulting in five Department of Public Health notices to clean the swimming pool facilities in FY 2004-2005.

The Recreation and Park Department needs to reassign custodians, including establishing a swing shift, setting up mobile crews, and creating lead worker positions. The Department should also develop productivity and performance standards for custodial services and training in custodial best practices for non-custodian supervisors and custodian staff.

Implementation of the Budget Analyst's recommendations should result in better use of the Department's money to pay for gardeners and custodians, including better park and facility maintenance. Although the Department will incur increased costs to assign custodians to the evening shift and establish lead positions to manage custodians, these costs can be offset by an estimated $118,000 in salary savings by reducing recreation director positions by 2.0 full time equivalents as recommended in Section 1 of this report. The Budget Analyst estimates that assigning 30 custodians to the evening shift and paying an 8 percent evening shift differential, plus assigning eight custodians to lead worker duty, and paying a $5.00 per day differential, will cost approximately $115,000 annually.

Section 3. Managing Productivity, Performance, and Morale

The Recreation and Park Department has made accountability based on performance standards and staff development key components of the Department's strategic plan.

The major barrier to the Department’s job performance is the high absentee and injury rate, especially among gardeners. In FY 2004-2005, gardeners on Worker’s Compensation or sick leave totaled 16.3 full time positions, or 7.6 percent of the 215 gardener positions. Department employees in general on Worker’s Compensation or sick leave in FY 2004-2005 totaled 44.3 full time positions, or 4.9 percent of the 900 full time positions.

The costs to the Department in lost work days due to Worker’s Compensation or extended sick leave are high. The Budget Analyst estimates that salary and mandatory fringe benefit costs for 44.3 full time equivalent positions that are lost annually to Worker’s Compensation or extended sick leave are $2.6 million per year. Reducing these lost work days by 25 percent would increase the Department’s productivity, an opportunity cost savings of approximately $650,000 annually.

The Department only began to require performance evaluations of Department employees in FY 2004-2005 and still has not developed a formal written policy. The Budget Analyst found that employee performance varied widely across the Department and that managers need to improve the quality and consistency of performance goals to ensure that the public receives quality services.

The Recreation and Park Department also needs to improve access to training opportunities; in FY 2003-2004 only 10 percent of Department employees attended Department or outside training programs and although the Department did not track training in FY 2004-2005, in the first quarter of FY 2005-2006, only 7 percent of Department employees attended training programs. The Department especially needs to provide job skills training and develop opportunities for recreation, gardener, and custodian staff to ensure that these employees are able to provide the best possible service.

Strong employee performance and accountability and quality public service depend on the Department staff's morale and perception of their jobs. In interviews and focus groups, the Budget Analyst found significant need for improvement, especially in communication among executive managers, supervisors, and front line staff, and the need for front line staff to be better integrated into developing and planning the work program.

Also, many Department managers and staff have expressed concern about the loss in gardener productivity resulting from homeless encampments in the parks. Cleaning up and removing homeless encampments is time consuming and can be hazardous for gardener staff. At least one work related injury has resulted from an encounter between a park gardener and a homeless person.

Section 4. Community Participation and Resource Planning

The Recreation and Park Department is one of the most publicly visible departments in the City and County of San Francisco. However, the Department does not adequately solicit or incorporate public input, demographic information, or other relevant community factors into its programming and service decisions. Rather, the Department makes its programmatic and service planning decisions informally, at a recreation center-level, and based on historical offerings and staff interest. Consequently, the Department has not kept pace with changing demand for recreation and park facilities, such as the increased demand for fitness facilities and adventure sports, such as rock climbing, skateboarding, cycling, hiking, and kayaking.

The Department’s attendance data collection methods are inefficient and the integrity of the data is compromised. The data the Department does collect are not used to influence resource planning decisions.

The Department does not require minimum standards of program quality or establish program goals and outcomes. The identification of program goals and outcomes and the evaluation of programs, if done at all, are left to the discretion of individual recreation staff. The quality of programs is, therefore, largely unknown, highly variable, and primarily dependent on the abilities and resources of recreation staff managing them. Therefore, the Department is not able to assess community reaction to specific programs and to measure the occurrence of desired outcomes.

The Department does not adequately advertise its facilities, programs, and services. The Department needs to provide its staff with the tools, training and support to perform better community outreach.

The Department interacts with a diverse array of community stakeholders, including individual volunteers, other public agencies, foundations, and neighborhood groups that advocate on behalf of issues, facilities, and programs. However, the Department neither has an understanding of the scope of the partnerships in which it is engaged nor appropriate policies and procedures in place to govern its work with these stakeholders.

The Department is increasingly working with volunteers in its parks and facilities. However, the Department, despite various attempts, has not instituted a formal volunteer policy.

The Budget Analyst's recommendations are intended to improve the Recreation and Park Department's practices in working with the community and planning programs that meet the community's needs. The Department incurs significant opportunity costs, which are difficult to quantify, by failing to develop accurate program use numbers and by failing to work with the community to offer programs that meet the communities' needs. By implementing the Budget Analyst's recommendations, the Recreation and Park Department would better plan and allocate recreation resources and serve the community.

Section 5. The Open Space Fund

In FY 2005-2006, the Open Space Fund budget is $27,746,427, which equals 23.8 percent of the Recreation and Park Department's total FY 2005-2006 budget of $116,630,020. During the last ten years, there has been an upward trend in Open Space Fund support for the Department's personnel costs in terms of (a) actual dollars budgeted for personnel each year, (b) the percentage of the Department's total personnel budget, and (c) the percentage of the Open Space Fund itself. During the four years from FY 2002-2003 to FY 2005-2006, while there has also been a significant upward trend in the Open Space Fund support for the Department's overhead costs, the Open Space Fund support for non-personnel and capital projects trended significantly downwards.

The Department was not able to provide data on the Open Space Fund during the 13 years of Proposition J (FY 1975-1976 through FY 1987-1988) or during the first seven years of Proposition E (FY 1988-1989 through FY 1994-1995). Therefore, the Department could not provide documentation to the Budget Analyst as to whether the Department fully complied with the Charter's Open Space Fund requirements during those years.

The Department complied with the Open Space Fund allocation requirements during the last five years of Proposition E (FY 1995-1996 - FY 1999-2000), including (a) spending a minimum of 24 percent of the total fund for property acquisition and development, (b) spending a minimum of 9 percent of the total fund for renovation and maintenance of properties previously acquired by Open Space Fund monies, (c) spending a minimum of 12 percent of the total fund for establishing and operating after school programs, and (d) spending no more than 15 percent of the total fund for administrative costs.

The Department has also complied with the Open Space Fund allocation requirements under Proposition C (FY 2000-2001 to date), with the exception that the Department has failed to routinely budget 3 percent of the total fund for an undesignated contingency reserve, as required by Proposition C. This needs to be rectified to ensure compliance with Charter requirements. Such a reserve would improve the financial condition of the Open Space Fund and would ensure that funding for unanticipated needs is available. The FY 2005-2006 shortfall for the undesignated contingency reserve is $52,585.

In the 30 years since 1975 that the Open Space Fund has operated, the City has spent $25,313,955 and accepted gifts, bequests, and inter-agency jurisdictional transfers to acquire 91.67 acres of land at 56 sites in nine of the 11 Supervisorial districts. District 2 (adjacent to the Presidio and the Golden Gate National Recreation Area) and District 4 (adjacent to Golden Gate Park and incorporating Stern Grove/Pine Lake Park) have not been allocated Open Space Fund monies for property acquisitions.

The Department is developing a much needed property acquisitions policy to guide future Open Space Fund property acquisitions. A formal property acquisitions policy will enable the Department to identify properties that it wants to acquire in order to achieve its long term recreation and park policy goals.

Section 6. The Golf Fund

The Department operates five City-owned golf courses: the Golden Gate, Harding, Fleming, Lincoln, and Sharp Golf Courses. A sixth City-owned golf course, Gleneagles Golf Course, is leased to a private golf course operator.

The renovation of Harding and Fleming Golf Courses has been expensive. At a final cost of $23,611,457, Harding and Fleming Golf Courses' renovation was $7,583,847 or 47.3 percent over the original estimate of $16,027,610.

To fund renovation of the Harding and Fleming Golf Courses, the Recreation and Park Department identified unspent State Proposition 12 monies, which were granted to the City by the State after State voters approved Proposition 12 in March of 2000. State Proposition 12 authorized the issuance of State bonds from which the proceeds would be used in part to provide grants to local agencies to fund neighborhood parks, recreational facilities, and recreational programs located in historically underserved or economically disadvantaged communities. In April of 2002 the Board of Supervisors approved (a) adding Section 10.100-256 to the Administrative Code, establishing the Golf Fund, effective July 1, 2002, and (b) spending State Proposition 12 grant funds to pay for the renovation of the Harding and Fleming Golf Courses. Administrative Code Section 10.100-256 provided that the Golf Fund would reimburse the Open Space Fund for the full cost of the Harding and Fleming Golf Courses’ renovation projects advanced from the proceeds of State Proposition 12 grant funding, which equaled $16,627,627, plus matching Open Space Fund funds, which equaled $2,238,218, for a total payment due by the Golf Fund to the Open Space Fund of $18,865,845, plus interest.[3]

By using State Proposition 12 grant funds to renovate the Harding and Fleming Golf Courses, the availability of such State Proposition 12 grant funds was significantly delayed for recreation and park projects in historically underserved or economically disadvantaged communities.

To date, the Golf Fund has not repaid the Open Space Fund any of the $18,865,845 principal advanced from the State Proposition 12 grant funds or the Open Space Fund matching funds, and has only repaid the Open Space Fund $490,000 in interest payments on the $18,865,845 principal funds. The Department did not include sufficient funds in the FY 2005-2006 Golf Fund budget to pay the Open Space Fund for the total amount of interest on the principal payment, and will need to increase the FY 2005-2006 budgeted payment of $544,467 by $390,953, or 71.8 percent, to $935,420 in order to meet the correct debt service schedule.

The Department should review available strategies, including modifying Harding and Fleming Golf Courses' fee structure and increasing the percentage of rounds available for non-residents' use, in order to increase fee revenues to pay back the Open Space Fund for the total amount of the State Proposition 12 funds and Open Space Fund matching funds, equal to $18,865,845, as early as possible so that repayment will not take the full 25 years as is currently scheduled. By not taking the full 25-year repayment period, the total interest payments by the Golf Fund to the Open Space Fund would be reduced. Further, by paying the principal amount of $18,865,845 in less than 25 years, such monies plus the interest payments would become available earlier to the Open Space Fund in order to pay for a portion of the Department's Capital Program Phases I - III which is currently underfunded by $589,125,057.

Golf Fund performance has not reached expectations and golf fees do not fully recover the operating costs and debt repayment costs of the City's golf courses, let alone creating reserves for future capital improvements at Lincoln, Sharp, and Golden Gate Park Golf Courses. Far from being self-sufficient or generating surplus revenues, in FY 2004-2005 the Golf Fund required a $536,372 allocation from the General Fund in order to balance that year's budget. In FY 2004-2005, the Golf Fund revenues were $8,698,044, including $536,372 transferred from the General Fund, compared to total expenditures of $8,500,811, resulting in a year-end fund balance of only $197,233. By contrast, the 2001 pro forma financial analysis, prepared for the Department by an outside consultant, Economics Research Associates, projected a net operating income of $6,471,000 over the first six years of the renovated Harding and Fleming Golf Courses' operation.

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[3] Administrative Code Section 12.100-256 required payment by the Golf Fund to the Open Space Fund of the total amount of State Proposition 12 grant funds and Open Space Fund matching funds allocated to the Fleming and Harding Golf Courses project, including interest, although Administrative Code Section 12.100-256 does not refer to the subject funds as a "loan."

Although demand to play at Harding and Fleming Golf Courses is high and the greens fee revenues have increased at the two subject courses, since Harding and Fleming Golf Courses reopened in 2003, there has been decreased play at the City-operated Lincoln, Sharp, and Golden Gate Golf Courses, thus partially offsetting the revenue growth at the renovated Harding and Fleming Golf Courses. Since 2000, the number of rounds played at the Lincoln Park Golf Course has fallen by 50 percent and the number of rounds played at the Sharp Park Golf Course has fallen by 38 percent.

Although FY 2003-2004 saw 92,664 rounds played at Harding and Fleming Golf Courses, the net impact across all golf courses was only 52,480 because 40,184 less rounds were played at Golden Gate Park, Lincoln, and Sharp Golf Courses. This situation was exacerbated in FY 2004-2005. Although 116,603 rounds were played at Harding and Fleming Golf Courses, the net impact across all golf courses was only 51,849 because 64,754 less rounds were played at Golden Gate Park, Lincoln, and Sharp Golf Courses.

The Department advises that the decline in rounds in FY 2004-2005 was exacerbated, to some degree, by the extraordinary amount of rain experienced by the City that winter. Nevertheless, the general downward trend experienced by the Lincoln and Sharp Golf Courses was also reflected at the better maintained Golden Gate Park Golf Course which saw an approximately 27.3 percent reduction in the number of rounds played in the three years between FY 2002-2003 and FY 2004-2005. Since the golf fees chargeable at Lincoln, Sharp, and Golden Gate Park Golf Courses have not changed in some time, the declining number of rounds has resulted in declining golf fee revenues from those three City-operated golf courses.

This downward trend in golf fee revenues from Lincoln, Sharp, and Golden Gate Golf Courses, coupled with the existing fee structure and the requirement that 65 percent of Harding and Fleming Golf Courses' tee times be set aside for San Francisco residents, generates insufficient revenue for the Golf Fund to (a) repay the Open Space Fund in accordance with Administrative Code Section 10.100-256, (b) construct and maintain capital improvements for all five Department-operated golf courses, and (c) generate funding for other recreation and park facilities, as intended by the Open Space Fund under Proposition C.

Both the Department and the Budget Analyst have determined that the Lincoln and Sharp Golf Courses are substandard. Neither golf course has a comprehensive capital improvement plan, including the estimated capital improvement project costs or schedule to complete such improvements. If the Department continues to neglect the infrastructural needs of Lincoln and Sharp Golf Courses, the assets will soon degrade to the point that they are no longer economically viable.

The October of 2005 World Golf Championships - American Express Championship tournament held at Harding and Fleming Golf Courses resulted in direct costs exceeding revenues by $141,619 ($641,619 in lost green fee revenues and increased operating costs, less the PGA Tour, Inc.'s $500,000 payment). The $141,619 net costs to the Recreation and Park Department is equivalent to the annual salary and mandatory fringe benefit costs of between 2.18 and 2.65 FTE

Classification 3417 Gardeners ($53,486 - $64,928 per year) and therefore represents a significant opportunity cost for the Department.

Under the agreement between the City and the PGA Tour, the $500,000 payment by the PGA Tour to the Recreation and Park Department was intended to cover any costs incurred by the Department to prepare and maintain the Harding and Fleming Golf Courses in accordance with PGA standards, as was required by the PGA in order for the October of 2005 World Golf Championships - American Express Championship tournament to be conducted in San Francisco. Under the subject agreement, the PGA Tour would not pay for any preparation and maintenance costs incurred by the City in excess of the $500,000 payment. The agreement also specified that the PGA Tour would pay the City 6.66 percent of gross operating revenues in excess of $10,000,000. According to the Budget Analyst's report to the March 10, 2004 Board of Supervisors Finance and Audits Committee, the Budget Analyst believed that it "would be highly unlikely that the City would receive any additional payments since the most optimistic gross revenue assumption estimated by the Recreation and Park Department is $5,000,000" (File 03-1977).

The Budget Analyst recognizes that the championship tournament did (a) generate benefits which are difficult to quantify in terms of City tourism revenues, and (b) raise the public profile of Harding and Fleming Golf Courses.

According to the Department, the tournament was considered very successful, and PGA Tour, Inc. has indicated its willingness to proceed with the scheduling of four additional tournaments in the future. While ensuring that the tournaments continue in order to benefit tourism revenues for the City as a whole, the Department should use its leverage based on the success of the recent tournament to renegotiate the terms of its Master Tournament Agreement with PGA Tour, Inc. in order for the City to at least fully recover its direct costs of staging the event in the future and to make a profit.

Section 7. Revenue Generating Programs, Capital Costs, and Cost Allocation

The Recreation and Park Department faces significant capital costs for Monster Park Stadium and Camp Mather without adequate funding sources to pay for such costs. Current revenues are insufficient to meet the capital needs of these two facilities. Additionally, the Department faces significant capital costs for the East Harbor of the Marina Yacht Harbor with uncertain funding.

Monster Park Stadium's estimated unmet capital needs are $23.7 million, but the Department has no specific funding source to pay for these repairs. Under the current lease agreement with the San Francisco Forty-Niners, the Forty-Niners will receive rent credits, totaling $4.25 million over the next three fiscal years, to make necessary stadium repairs. These rent credits have resulted in a $1.09 million decrease in Department operating revenues in FY 2004-2005, requiring additional General Fund monies to make up the difference, and will result in further reductions, totaling $3.15 million over the next two years. The Recreation and Park Department

General Manager should report to the Board of Supervisors prior to December 31, 2006 on the options for repair and replacement of Monster Park Stadium.

The City's family Camp Mather, located near Yosemite National Park, is funded entirely from fee revenues. Camp Mather needs an estimated $20 million in infrastructure and facility improvements, including the water and sewer systems. Although the Recreation and Park Department could potentially issue revenue bonds with voter approval or issue Certificates of Participation, annual debt service would have a significant impact on camp fees, requiring Camp Mather to increase annual revenues by as much as 60 percent to cover operating and debt service costs on $20 million in revenue bonds over 30 years at 5 percent interest. For example, a family of four, which currently pays $114 per night for a Camp Mather cabin, would have to pay an estimated $182 per night, which is $68, or 60 percent, more if such revenue bonds were issued. The General Manager should report to the Board of Supervisors during FY 2006-2007 on the current status of Camp Mather's operating and capital costs, the impact on fees, and the options for maintaining Camp Mather.

Both the East and West Harbors of the Marina Yacht Harbor need extensive repairs, but renovating the East Harbor may not be fiscally feasible because (a) California Department of Boating and Waterways funding for the East Harbor renovation is uncertain and (b) East Harbor dredging costs, due to contaminated soil, could range from $2.8 million to $7.6 million. According to the City Attorney's Office, the contaminated soil situation could result in litigation between the City and the Pacific Gas and Electric Company as to whose responsibility it is to fulfill the dredging work. The General Manager should provide a status report to the Board of Supervisors during the FY 2006-2007 budget review on (a) the status of the California Department of Boating and Waterways loan for the East Harbor renovation project, (b) the status of the City's legal dispute with the Pacific Gas and Electric Company, and (c) alternative revenue and cost scenarios for the Marina Yacht Harbor's West and East Harbors.

In FY 2002-2003 the Recreation and Park Department developed a cost allocation plan to (a) allocate Department and division administrative costs to funding sources and programs within the Department and (b) set overhead rates for Department employees who charge their time to capital and facilities maintenance projects. The Department allocates some costs to overhead rather than charging such costs directly to capital projects, resulting in very high overhead rates for the Capital Division staff and misallocation of Capital Division labor hours. The Capital Division overhead labor rate increased from 198 percent in FY 2004-2005, which already exceeded the national industry standard of 171.1 percent, to 254.6 percent in FY 2005-2006. The high overhead rates resulted in the Capital Division charging direct project costs as overhead across all capital projects rather than charging these costs to the actual capital projects for which such costs were incurred.

Section 8. Recreation and Park Department Property Use and Lease Management

The Recreation and Park Department has inadequate systems to monitor its property leases and revenue collections, and ensure coordination between Property Management and Revenue Unit staff. The Budget Analyst found several instances of late or missed rent payments during a review of the Department's 14 top revenue generating leases. For example, the St. Francis Yacht Club failed to make a $6,176 monthly rent payment to the Department in September 2002, and since that time the revenue unit has posted each subsequent monthly payment as a late payment. Under the Lincoln Park Golf Course lease agreement, the minimum annual guaranteed rent is to be increased by the Consumer Price Index through 1997, but the Department has failed to do this, resulting in an estimated underpayment of $19,000 in calendar year 2004.[4]

The Recreation and Park Commission approved an amendment to the lease agreement between the Department and the Japanese Tea Garden operator to reduce the minimum annual guaranteed rent for the Japanese Tea Garden operator in FY 2003-2004, from $280,000 annually to $150,000, after the operator failed to pay the minimum annual guarantee two years in a row, due both to a decline in tourism and construction of the adjacent de Young Museum, resulting in reduced revenues in FY 2003-2004 and FY 2004-2005, totaling $169,405. According to the City Attorney's Office, the reduced minimum annual guaranteed rent was not subject to Board of Supervisors approval pursuant to Charter Section 9.118(c)[5]. The Recreation and Park Department expects to select a new Japanese Teas Garden operator through a Request for Proposal process in January 2006 and needs to negotiate financial lease terms that acknowledge expected increased Japanese Tea Garden attendance and maximize lease revenues to the Department, comparable to FY 2000-2001 Japanese Tea Garden lease revenues of $286,493 based on attendance of 422,253. This new lease agreement is subject to Board of Supervisors approval.

The management agreement with Kemper Sports Management to operate Harding Park and Fleming Golf Courses makes the City responsible for repaying a loan taken by Kemper, without requiring Kemper to provide loan documentation to the City. According to the City Attorney's Office, the management agreement with Kemper Sports Manager was not subject to Board of Supervisors approval pursuant to Charter Section 9.118(c). The management agreement allows Kemper to borrow up to $2 million from a financial institution of its choosing to (a) pay for operating costs prior to the opening of Harding and Fleming Golf Courses and (b) to construct

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[4] The Lincoln Park Golf Course's percentage rent was sufficient in 2003 and earlier years to meet what would have been required to be paid as minimum annual guaranteed rent, based on Consumer Price Index adjustments.

[5] Charter Section 9.118(c) requires Board of Supervisors approval of leases of ten years or more or with revenues of $1 million or more.

interior improvements to the new Harding Golf Course clubhouse. Under the management agreement, the City is obligated to reimburse Kemper for the monthly loan payments.

According to the Recreation and Park Department, Kemper Sports Management has borrowed $969,640 under the loan agreement. Kemper refused to provide the Budget Analyst with copies of the applicable loan documents. The Board of Supervisors should adopt an ordinance, amending the Administrative Code, that requires Board of Supervisors approval for all leases and management agreements entered into by any City department, which makes the City responsible for the payment of any loans made under lease or management agreements.

Further, the General Manager should demand copies of the subject loan documents from Kemper Sports Management, and should request the Controller to audit the management agreement with Kemper if such loan documents are not provided. The Department should immediately request the loan documents, and if Kemper Sports Management refuses to both (a) provide the loan documents to the City within 30 days of the Department's request, and (b) cooperate with a subsequent audit by the Controller, the Recreation and Park Department should terminate the management agreement with Kemper.

The Rod and Gun Club, has occupied Lake Merced property owned by the Public Utilities Commission. However the Club has been under the jurisdiction of the Recreation and Park Department since the 1930s. According to a risk assessment conducted by a consultant for the Public Utilities Commission, the Road and Gun Club has contaminated the soil with lead shot prior to switching to steel shot in 1994. Because lead shot was a permitted use prior to 1994, the costs of lead mitigation, of which $3 million are currently budgeted in the Public Utilities Commission's Water Supply Improvement Program, are borne by the Public Utilities Commission and the water ratepayers rather than by the Rod and Gun Club. According to Public Utilities Commission staff, although the current use of the site by the Rod and Gun Club does not in itself present undue risk, debris from gun shot can still present a problem, overburdening the site. Because the Rod and Gun Club currently operates at the Lake Merced property on a month-to-month lease at a rent of only $4,250 per month, and because of the issues discussed above, the Recreation and Park Department should determine if the existing month-to-month lease with the Rod and Gun Club is the best use of the Lake Merced property or if the Department should enter into a lease agreement for the subject property for other types of property uses consistent with the Lake Merced Master Plan, under development by the Public Utilities Commission.

The Recreation and Park Department should also determine the best uses of the Lake Merced Boathouse, with the intent that the lessee would pay for capital repairs and improvements at a minimum estimated cost of $500,000. Under a current draft Request for Proposals, the Recreation and Park Department suggested several different uses, ranging from purely commercial to mixed use to recreational, without the Department first determining how the property should best be utilized. The Recreation and Park Department should determine the best uses of the Lake Merced Boathouse, considering the capital costs and community preferences, prior to issuing the Request for Proposals.

The Recreation and Park Department generates approximately $22.4 million annually in property lease revenues, as discussed on pages 130 of this report. If the Department were to increase property revenues by only 1 percent annually, through better management of existing lease agreements and negotiated rents that maximize the Department's rental revenues, the Department would increase revenues by approximately $224,000 annually.

Section 9. Management of Permits, Fees, and Other Revenues

Section 7 of the Park Code requires that the Recreation and Park Department issue permits for all events conducted on Recreation and Park Department property and authorizes the General Manager to impose reasonable conditions on approval of a permit application in order to insure that public or private property is not damaged and that the comfort, convenience, safety or welfare of the public is not disturbed.

Section 12 of the Park Code sets fees for permitted use of Recreation and Park Department property. Except for cost of living fee adjustments, as computed by the Controller, any revisions of such fees are subject to approval of the Board of Supervisors. Under Park Code Sections 12.23, 12.24, and 12.25, which were approved by a Board of Supervisors ordinance in FY 2003-2004, the General Manager is granted the discretion, without specific Board of Supervisors approval, to set other fees, in addition to those specifically identified in the Park Code, as appropriate for certain events conducted on Department property, which include commercial and community events, film, photography and video events and parking or other encroachments.[6] Such discretionary fees result in various impacts to park property. For example, a "regeneration fee" is charged by the Department to event sponsors to offset the costs of restoring grass and other grounds after an event is conducted on park property.

Although the 1996 Charter required Board of Supervisors approval for all fees, except for discretionary-type fees referred to above, the Recreation and Park Department continues to charge a $35 facility use fee to community organizations to use Recreation and Park facilities for various events which have not been approved by the Board of Supervisors and included in the

[6] Park Code Section 12.22, which sets fees for events on Recreation and Park Department property, provides that the Department may charge any "additional fees determined by the General Manager, or a designee, to be necessary to compensate the Department for the anticipated impact on park property and/or services, the disruption of normal park usage and the inconvenience to the public, because of the type of event, the location, the number of expected participants and other similar factors" . Park Code Section 12.24, which sets fees for film, photography and video events on Recreation and Park Department property, provides that the Department may charge any "additional fees determined by the General Manager, or a designee, to be necessary to compensate the Department for the anticipated impact on park property and/or services, the disruption of normal park usage and the inconvenience to the public, because of the type of event, the location, the number of expected participants and other similar factors" . Park Code Section 12.25, which sets fees for encroachment on Recreation and Park Department property, provides that the Department may charge "any additional fees and/or costs that the General Manager, or a designee, determines appropriate based on the anticipated impact on park property and/or services, because of the type of activity, number of workers, type and amount of equipment to be placed or transported over park property, and other similar factors".

Park Code. The Department applied the $35 facility use fee in seven, or 14 percent, of 50 randomly-selected permits reviewed. In response to the management audit, the General Manager has stated that, "Rather than formalize a $35 service fee, the Department will undertake a complete review and restructure of the entire event permit fee schedule to make all fees equitable, transparent, and enforceable for all users".

However, the Budget Analyst recommends that this $35 facility use fee be submitted to the Board of Supervisors for approval. Further, the Recreation and Park Department should comply with the Park Code by submitting all non-discretionary fees to the Board of Supervisors for approval.

In the review of 50 randomly-selected permit and reservation files, the Budget Analyst found that the Recreation and Park Department charged fees that were consistent with the Park Code in only 22, or 44 percent, of the 50 permits or reservations.

The Park Code allows the Recreation and Park Commission to adopt policies and regulations authorizing the General Manager to reduce or waive fees or costs imposed under the Park Code in cases of demonstrated financial hardship when a permit applicant meets all other permit requirements. The Recreation and Park Commission's written policy states specifically that fees may be waived for nonprofit organizations in exchange for services. The Department has a long standing practice to waive fees for youth and school groups and for media and press events. However, such fee waivers are not being submitted to the Board of Supervisors for approval.

The Department waived fees entirely in 10, or 20 percent of the 50 permits reviewed. In one case, the Recreation and Park Department violated the Park Code in granting a permit but not charging a fee to the Boudin Embarcadero commercial event, which consisted of parking a refrigerated mini van on the concrete area outside the Boudin Store on Justin Herman Plaza. The Park Code has established a $500 minimum fee to encroach on park property, including parking vehicles. All fee waivers not authorized by the Park Code should be submitted by the Recreation and Park Department for approval of the Board of Supervisors, prior to granting such waivers.

The Department also violated the Park Code by charging a fee that was less than the fee established by the Park Code, indicating a lack of management control and lack of consistent procedures. For example, the Recreation and Park Department Permits and Reservation Unit staff issued a permit to KNBR Radio for a commercial event promoting SBC and the Giants home opener, and charged KNBR Radio the <u>non-commercial</u> rate of $500 listed in the Park Code rather than charging the appropriate <u>commercial</u> rate, which provides for a minimum fee of $5,000 as listed in the Park Code. This inappropriate fee reduction to KNBR Radio was not submitted to the Board of Supervisors for approval.

Department policy requires that individuals and organizations pay for permits and reservations prior to receiving the permit. The Park Code has established fees for commercial events based on attendance. Under the Park Code, sponsors of gated commercial events pay $10,000 or 25 percent of all gated receipts, whichever is higher, and the Department charges the event sponsors for any additional fees owed after the event has been held. For five events managed by the commercial promoter, Events West, the Department did not collect past due fees for prior years' events, including fees that are owed based on prior years' receipts, before approving a new permit. The Department approved and issued event permits for three consecutive years to Events West, a production company, for Reggae in the Park, although the Department received no payments for the 2001 Reggae in the Park and did not receive full payment for the 2002 and 2003 Reggae in the Park events. The Department approved and issued event permits to Events West for the 2003 A la Carte a la Park, although Events West had not paid in full for the 2002 A la Carte a la Park. In May of 2005, the Recreation and Park Department Director of Administration and Finance issued a demand letter to Events West to pay the outstanding balance of $62,000 in outstanding event fees in full for the period from 2001 through 2003 within 72 hours and when the Events West did not pay, referred the issue to the City Attorney's Office. The Recreation and Park Department should not issue any future permits to Events West until all past due amounts payable to the City are paid in full by Events West. The Budget Analyst further recommends that the Park Code be amended to prohibit permit issuance when the permit applicant owes the Department for prior events.

Organizations and individuals conduct classes at Recreation and Park Department facilities and charge participants to attend the classes but do not pay rent to the Recreation and Park Department to use the facility, since the Department does not require any written license agreements for such rentals. These rentals should be authorized under written license agreements by the Department's Property Management Unit. For example, Tuesday evening Hawaiian dance classes are provided at the Sunset Recreation Center, and several different classes are provided at the Harvey Milk Recreational Arts Center by individuals and organizations who charge participants to attend the classes but do not pay rent to the Department.

If the Recreation and Park Department increased permit and fee revenues by only 1 percent annually through rigorous application and collection of fees and charges, selected fee increases, and centralized marketing of Department properties, the Department would realize an estimated $100,000 per year in additional operating revenues.

Section 10. Cash Handling Practices

The Recreation and Park Department lacks comprehensive cash and revenue handling policies and procedures, resulting in Department staff developing a variety of informal and ad hoc procedures. This lack of controls means that significant amounts of cash are not routinely accounted for and recreation center staff are handling or carrying cash without procedures to safeguard or deposit the monies.

Recreation center staff have no standard procedures for storing copies of receipts for cash payments from the Department's customers enrolling in center programs. Many recreation center staff said that they simply put the receipt book in a drawer and never look at it again. At one recreation center, the Upper Noe Valley Recreation Center, staff give two receipts for each payment, including an informal receipt to the nanny or caretaker as well as the formal receipt to the parent.

Recreation center staff often keep the cash in their own wallets or take the money home with them prior to turning the cash into the Revenue Unit at McLaren Lodge. In other instances, the recreation center staff turn the cash into their supervisors, but supervisors stated that they did not know where recreation center staff kept the cash, and did not count the cash or reconcile the receipts with the daily record of cash receipts.

The Department also has several informal petty cash funds. The Oceanview Recreation Center staff collect money to pay for tee-shirts for adult basketball players, without recording the receipts and accounting for the cash to pay for such tee-shirts. The Upper Noe Valley Recreation Center maintains two sets of informal petty cash funds: one fund contains $50 from cash receipts to buy tennis supplies and the other fund contains $100 from cash receipts paid by parents to the Kids Gym program to pay a private guitar player to provide entertainment to the children for two hours per week.

Swimming pool receipts are transported in locked boxes by armored transport from the swimming pools to the McLaren Lodge Revenue Unit. Although the Department's policy is to have two staff members sort the swimming pool receipts, in accordance with the generally accepted cash handling practice to require two employees to count cash to reduce the risk of theft, the management audit observed one employee, alone in a cubicle with a large box of bills, with no other person in the cubicle and no visible oversight.

Although the Budget Analyst did not identify lost cash receipts due to the Department's inadequate cash handling practices, the Department's risk of such loss is extremely high. Implementation of the Budget Analyst's recommendations would tighten controls over cash handling and reduce the risk of loss through mishandling or theft.

Section 11. Park Patrol

The Park Patrol unit is intended to provide Recreation and Park Department facility security, with primary responsibility for enforcing provisions of the Park Code. Because the Park Patrol unit has only five staff, including the supervisor, who are scheduled for 30 hours per week, the Park Patrol unit's main functions are issuing parking citations and locking facilities and setting alarms at night.

The Recreation and Park Department Park Patrol unit does not have adequate management tools to define the Park Patrol unit's purpose, policies, and procedures. Except for informal and ad hoc procedures, the Park Patrol unit has no standardized procedures for carrying out its security and Park Code enforcement functions. This lack of standardization in not only inefficient, because routine functions are not performed in a consistent manner, but also puts the Department at risk if the Park Patrol unit does not have clearly defined procedures to respond to events such as emergency calls and alarms.

One of the Park Patrol unit's major functions is the writing of parking citations for parking violations on Recreation and Park Department property. In FY 2004-2005, the Park Patrol collected approximately $158,000 in parking citation revenues, based on 2,604 parking citations, including 2,048 parking citations in Golden Gate Park and 556 parking citations in the Marina, with an estimated 80 percent collection rate. Because the Municipal Transportation Agency receives all parking citation revenues under the Charter, the Recreation and Park Department should meet with the Metropolitan Transportation Agency's Department of Parking and Traffic to discuss the transfer of all parking citation functions on Recreation and Park Department property from the Recreation and Park Department to the Metropolitan Transportation Agency's Department of Parking and Traffic.

The Recreation and Park Department has security needs that cannot be fully addressed by the Department's Park Patrol five person unit. The General Manager should develop an overall security plan that identifies the roles of the Department's respective staff members, including recreation directors, custodians, gardeners, and Park Patrol officers, in locking facilities, and reporting and following up on security incidents.

Monster Park Stadium has a camera surveillance system that is obsolete. The existing analog recorders of Monster Park's closed circuit surveillance system each record the activities captured by four cameras, on a time-sharing basis. Thus, imagery from an area under surveillance is much less complete than that recorded by state-of-the art digital recording systems with simultaneous recording that permit 100 percent coverage of each area under surveillance. Further, a National Football League *best security practice* specifies digital systems.

The Budget Analyst has been advised that Homeland Security grant funding may be available to procure a digital recording system. The Budget Analyst recommends that the General Manager, Recreation and Park Department, investigate the advisability of procuring the subject equipment and if warranted, seek such funding.

Section 12. Maintenance Management

The Recreation and Park Department's Structural Maintenance Division lacks the basic management tools, such as performance measures and standards and work rules, to direct the Division's activities. Consequently, the various trade shops within the Division apply disparate work rules and standards, resulting in inconsistent standards of performance.

The Structural Maintenance Division uses planning only for capital projects, and performs very little preventive maintenance. For FY 2005-2006, 170 of 3,593 completed work orders, or only 4.7 percent, are classified as preventive maintenance. Much of the Division's maintenance work is performed in reacting to emergencies and other corrective work requests.

Because of the lack of planning for maintenance projects, the Structural Maintenance Division staff can travel up to 30 minutes to reach a work site and arrive without the necessary tools, resulting in lost productivity. The Department faces high opportunity costs in lost productivity due to poor planning. Implementation of the Total Managed Asset maintenance management system in FY 2005-2006 and improved maintenance planning should result in increased Structural Maintenance Division productivity. The Budget Analyst estimates that a 1 percent increase in Structural Maintenance Division productivity would equal approximately 0.9 full time equivalent positions or approximately $87,500 annually in salaries. To increase planning and supervision within the Structural Maintenance Division, the Budget Analyst has recommended that the Recreation and Park Department (a) fill the Maintenance Manager position that was authorized in the FY 2005-2006 budget, and (b) fund two Maintenance Planner and one Supervisor position, with total FY 2005-2006 salary and fringe benefit costs of $316,119 by deleting four trades positions, which have been vacant for over one year, with total FY 2005-2006 salary and fringe benefit costs of $311,243, resulting in total increased costs of $4,876.

The Structural Maintenance Division is authorized three Classification 7311 Cement Mason positions. One position has been vacant since FY 2002-2003. Filling the Classification 7311 Cement Mason position is vital to providing effective support to the trades that the cement masons heavily support, particularly the plumbers and the carpenters, and to ensuring that the Recreation and Park Department's sidewalks and retaining walls are maintained. The Budget Analyst observed sidewalks and/or retaining walls at the following locations that are in deplorable condition.

- Alamo Square, Scott and Hayes Streets: Numerous uneven sidewalks.
- Kimball Playground, Pierce and Ellis Streets: Deteriorated and uneven sidewalk across from 1329 Ellis Street.
- Argonne Playground, 18th Avenue between Gerry Boulevard and Anza Street: Uneven and deteriorated sidewalks.
- Garfield Square, Treat Avenue and 25th Street: Uneven and deteriorated sidewalks.

The Recreation and Park Department has been cited by the Department of Public Works for maintaining unsafe sidewalks.

Section 13. Materials Management

The Recreation and Park Department's inventory controls are inadequate. The Department lacks materials management policies and procedures, and thus lacks standardization and accountability in purchasing, storing, and recording use of the Department's materials and supplies.

The Recreation and Park Department Structural Maintenance Division has no inventory of maintenance materials and supplies, despite an annual materials and supplies budget of $899,900. The sheet metal and carpenter shops keep informal records of materials on hand but none of the trade shops keep a running total of inventory balances. Structural Maintenance Division staff charge capital projects for materials and supplies but do not charge maintenance work orders. Consequently, the Recreation and Park Department has no means to audit materials and supplies usage and cannot calculate the value of its existing inventory. Also, the Recreation and Park Department has not conducted a physical count of the Department's general inventory in at least five years.

Under current practice, Structural Maintenance Division staff purchase low-price items on departmental purchase orders, which requires processing a separate purchase order for each item, rather than blanket purchase orders which allow several low-price items to be purchased from a vendor on a single purchase order. For example, the Structural Maintenance Division used a departmental purchase order to purchase an electrical ground rod and clamp from an electrical supply company for the purchase price of $13.65, including tax, which was less than the Department's cost to process the departmental purchase order of $15.00, effectively doubling the cost of the purchased item. The Recreation and Park Department should train Department staff on the proper use of blanket purchase orders and restrict use of blanket purchase orders to the appropriate supervisor or manager level to ensure control over purchases.

The Recreation and Park Department nursery, which grows and supplies plants for use in the Golden Gate Park and throughout the City's parks, is located in a large area adjacent to the Structural Maintenance Division. In the southwest corner of the nursery, in an area of approximately one acre, is located an auxiliary storage area or "bone yard." Therein, the Structural Maintenance Division has stored all manner of material in various stages of disrepair or obsolescence. The bone yard contents include miscellaneous pipes and flanges, paraphernalia from a pagoda, backflow devices, old lamp poles, sewer pipe, electrical conduit, fencing, manhole covers, electrical vaults, statues of dogs, irrigation boxes, a building canopy, and many other items including a dump trailer that appears to be serviceable. Some of the items such as contractor leftover parts have never been used. The Structural Maintenance Division does not maintain an inventory of the items in the bone yard.

The management of the Recreation and Park Department should not permit the operation of this auxiliary storage area or "bone yard" to continue. In accordance with proper administrative practice and proper safeguarding of City property, "bone yard" items should be brought under inventory control or disposed of.

Section 14. Health, Safety, and Environmental Issues in the Structural Maintenance Division

The Recreation and Park Department has not ensured a safe and healthy work environment in the Structural Maintenance Division. A November 8, 2005 inspection by Public Utilities Commission Health and Safety and Environmental Regulation staff found several deficiencies, including poor housekeeping in the maintenance and crafts shops, blocked access to electrical panels, improper storage of hazardous materials, no documentation of emergency eye wash and shower station inspections, and other deficiencies. The Structural Maintenance Division Manager should review the November 8, 2005 inspection report and address and correct the deficiencies noted in the report.

The Structural Maintenance Division has a high rate of workplace injury and illness as does the Recreation and Park Department as a whole. The Structural Maintenance Division's lost work days due to work place injury or illness over the past five fiscal years has ranged from 197 days in FY 2000-2001 to 346 days in FY 2004-2005. The Structural Maintenance Division's work place injury incidence reported to the U.S. Occupational Health and Safety Administration is 34.74 incidents per 100 employees annually, compared to an industry rate for repair and maintenance organizations of 5.8 incidents per 100 employees annually. The Structural Maintenance Division Manager should work with the Recreation and Park Department's Environment, Health and Safety Manager to implement a plan to significantly reduce the incidence of injury in the Structural Maintenance Division.

Section 15. Automotive and Mobile Equipment Management

The Recreation and Park Department's management of its vehicle fleet has been inadequate. The Recreation and Park Department has not ensured that the Department's vehicles maintained by the Central Shops received preventive maintenance on a timely basis. As of November 28, 2005, 44 of 81 or 54.3 percent of the general-purpose vehicles maintained by Central Shops for the Recreation and Park Commission were overdue for the six-month preventive maintenance inspection The lack of preventive maintenance could result in estimated increased vehicle maintenance costs of $88,582 to $132,874 annually. Also, the Department of Administrative Services Central Shops has not transferred five of the Department's 81 general purpose vehicles to the City's Fleet Management program, as required by the Administrative Code, through an oversight.

The Recreation and Park Department has not repaired or otherwise followed up on a March 9, 2005 Department vehicle accident for more than nine months. Although the driver of the non-City vehicle was at fault in the accident and that driver's insurance company tried to discuss settlement with Recreation and Park Department staff, the Department has not followed through on repairing the Department's damaged vehicle or seeking reimbursement from the non-City driver's insurance company. The Recreation and Park Department should seek $5,735 in reimbursement from the insurance company to cover the cost of the Department's vehicle repair and the Department's employee's lost work time.

Section 16. Managing the Capital Program

Over the past 15 years, there has been considerable scrutiny of, and investment in, the Department's capital assets and capital assets operated by other entities which are located in the City's parks, such as museum facilities and the Zoo. The single most significant location of investment is in the area of Golden Gate Park's Music Concourse, which has received an investment of approximately $649.5 million, the cumulative total of $202 million in private funding for the new de Young Museum building, $55 million in private funding for the new Music Concourse Parking Garage, and $392.5 million in public and private funding for the new California Academy of Sciences building.

The Capital Program Phase I currently comprises 221 projects with a revised total estimated cost of $588,667,528, or $36,125,057 more than the current appropriations of $552,542,471. Capital Program Phase II and Phase III specify an additional 229 projects to be performed at 154 sites at an estimated additional cost of $553,000,000. The Department currently has no funding plan or scheduling plan for Phase II and Phase III which would increase the total Capital Program cost to $1,141,667,528 for 450 projects. The current projected funding shortfall to pay for all Phase I - III projects is $589,125,057.

Nevertheless, 70 projects have been completed, closed out, or cancelled for less cost than originally estimated and appropriated. A remaining $2,323,309 surplus appropriation for those 70 projects has not yet been reallocated to other projects, despite the Capital Program Phase I's projected funding deficit of $36,125,057. Under-expenditures for one set of projects inevitably have an opportunity cost in terms of other projects which cannot use those funds until they are released for reallocation. Therefore, it is essential for the Department to be able to close out completed projects as quickly as possible in order to reallocate surplus funds to under-funded capital improvement projects.

In May of 2004, 19 capital projects were put on hold due to a projected funding shortfall at that time of $56.14 million. Eight capital improvement projects remain on hold given the ongoing funding shortfall for the Capital Program as a whole. The Department has not finalized the budgets for these eight capital improvement projects.

In its *Capital Plan - 2004 Annual Update*,[7] the Department stated that, "In the past, projects were initiated with little direction as to the scope, budget or schedule at any specific site. This led to unmanageable expectations of communities that were given free rein to develop project scopes without care to cost or supported need." The Department needs to formalize its capital improvement project evaluation and selection criteria to best determine, as funding becomes available, which capital improvement projects should move forward. This would allow the Department to maximize the value of that funding in terms of achieving pre-determined priorities across the recreation and park system as a whole.

Voters approved $116.7 million for the California Academy of Sciences rebuild project, which in FY 1999-2000 was estimated to cost approximately $230 million. Therefore, voters were approving City bond funds for approximately 50.7 percent of the total estimated project cost.

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[7] Recreation and Park Department, Capital Improvement Division, *Capital Plan - 2004 Annual Update* (March, 2005), page 118.

However, since the estimated total project cost has subsequently increased to $392.5 million, City bond funds now only represent approximately 29.7 percent of that revised total cost estimate.

The Department's $9.4 million rebuild of the Martin Luther King, Jr. Pool cost $3.2 million or approximately 51.6 percent more than the $6.2 million estimated at the project's commencement and took two years longer than scheduled. The construction contract has still not been closed out despite project completion over four years ago in October of 2001.

The Harding and Fleming Golf Course renovations completed in 2005 cost $23,611,457, which was approximately $7,583,847 or 47.3 percent more than the $16,027,610 estimate in 2002.

The Department needs to develop a comprehensive plan for citywide renovation projects, and incorporate the Urban Forestry and Natural Areas Programs into its Capital Plan. A comprehensive plan for citywide renovation projects would prevent deferred maintenance and the ultimately more expensive renovation or replacement projects which are caused by deferred maintenance. Ideally, a comprehensive plan for citywide renovation projects would reduce the need for capital programs, such as the current one, which are driven primarily by the cumulative deferred maintenance needs of the recreation and park system as a whole rather than by, for example, a desire to address proactively the City's changing recreation and park needs. Both the Urban Forestry and the Natural Areas Programs should be incorporated into the Capital Plan given their political significance and the significant resources associated with each program.

The Department needs to address the seismic deficiencies of facilities, which house the Department's administrative staff. Housing City administrative staff in seismically unsafe buildings represents a significant liability to the City, particularly given how long the Department has known about the seismic deficiencies of certain buildings. The Department needs to both (a) address the known seismic deficiencies of the structures which house administrative staff, and (b) evaluate the seismic safety of the remaining structures which house administrative staff so that a determination can be made about whether corrective work is required.

Section 17. The Capital Program's Funding Sources

The funding sources for the Capital Program Phase I's current total appropriation of $552,542,471 comprise (a) 22.9 percent from the General Fund, the Open Space Fund, Downtown Park Funds, and other departments' funds, (b) 57.3 percent from bonds, (c) 16.0 percent from grants, and (d) 3.8 percent from gifts.

The Capital Program has never been fully funded. The projected Capital Program Phases I - III shortfall is $589,125,057. In order to fund the Capital Program Phases I - III fully, the Department will need to consider the full range of funding options, including: (a) new general obligation and/or lease revenue bonds, (b) increasing its revenues from competitive grants and philanthropic gifts, (c) public/private partnerships, (d) public sector partnerships with agencies which have overlapping needs and facilities, (e) small business and corporate sponsorship, (f) special voter-approved tax assessments and expansion of downtown park funds, and (g) increased revenue generation from renovated, rebuilt, and new facilities.

To date, the Department has not developed an overarching plan to increase its funding from grant and philanthropic gift sources. However, the Department has hired a grant writer, is planning to hire a Director of Partnerships and Property Management, and works closely with the Parks Trust. While the Department has applied for $14.7 million in competitive grant funds which it was not successful in winning, the Department has had considerable success in obtaining grant funds for its Capital Program Phase I of $88,385,102 to date. The Department needs to continue focusing on submitting well-supported grant applications to all possible grant-funding agencies. The Department has funded only a modest portion of its Capital Program Phase I from gift funds. The Department needs to canvas as wide a pool of donors as possible, particularly for those projects where Department facilities will also be venues for social services delivered by other agencies with different mandates and, therefore, different potential donor pools.

Going forward, the Department also needs to develop, and win political support for, ongoing funding mechanisms to support (a) its own ongoing capital asset maintenance obligations, (b) its ongoing capital asset maintenance obligations related to other organizations' capital programs, and (c) its future facility replacement program. Ongoing funding mechanisms to support the Department's capital assets and other organizations' capital assets located on Department property are essential to (a) maintain the assets' value, (b) prevent deferred maintenance backlogs which could result in major capital programs in the future, and (c) encourage ongoing philanthropic gifts.

Section 18. Monitoring Capital Project Budgets

The Recreation and Park Department Capital Division lacks adequate standards for monitoring capital project budgets or closing out completed capital projects. Capital Division project directors vary widely in the processes they use to track and document capital project costs.

The Capital Division submits monthly financial reports to the General Manager, the Recreation and Park Commission, and the Parks, Recreation, and Open Space Advisory Committee. However, the project directors’ reporting and documentation of capital project costs do not reconcile with the Capital Division’s monthly financial reports. The Recreation and Park Department needs to establish standard protocols for all project directors that (a) clearly define the responsibilities of Recreation and Park Department project directors in managing capital project budgets, including construction budgets under the management of the Department of Public Works project managers, and (b) set standards for tracking and documenting actual project costs against project budgets.

The Capital Division also lacks clear procedures for closing out capital projects once they are completed. According to a report provided by the Department’s Capital Division, 67 capital projects have been completed but have not yet been closed out as of October of 2005. On average, these 67 projects had been completed or open to the public for 24 months. These projects had a net unexpended balance of $2.2 million, which could be re-allocated to other projects. The Recreation and Park Department should establish clear guidelines to close out the construction phase of capital projects and to close out capital projects in the City's financial system, FAMIS, to ensure that unexpended project balances are available to be re-allocated.

The Recreation and Park Department's Written Response

The Recreation and Park Department General Manager's written response is attached to this management audit report beginning on page 259. The management audit report includes 169 recommendations, of which 167 fall within the purview of the Recreation and Park Department and the Recreation and Park Commission. The Recreation and Park Department's written response agrees with 138, or approximately 82.6 percent, of those 167 recommendations, and partially agrees with 24, or approximately 14.4 percent, of those 167 recommendations. The Recreation and Park Department disagrees with five of those 167 recommendations, or approximately 3.0 percent. Of the remaining two recommendations (169 less 167), Recommendation 8.1 is within the jurisdiction of the Board of Supervisors and Recommendation 15.3 is within the jurisdiction of the Department of Administrative Services Central Shops.

According to the Recreation and Park Department General Manager's written response, the Recreation and Park Department disagrees with the following five recommendations for the reasons outlined below:

- The Recreation and Park Department disagrees with the Budget Analyst's Recommendation 4.21, which recommends that the Recreation and Park Commission review and approve the protocols, plans, policies, and procedures, and list of core services contained in Recommendations 4.1, 4.4, 4.7, 4.9, 4.10, and 4.14. According to the General Manger's written response, "Review and approval is more properly a management function; however, the Commission will be updated regularly on the Department's progress".

  Budget Analyst response: The Budget Analyst considers policies (a) governing the Department's relationship with the community and (b) establishing criteria to define core recreation and park services to be important for Recreation and Park Commission review and approval. Therefore, the Budget Analyst continues to recommend that policies (a) governing solicitation of community input (Recommendation 4.1), (b) establishing criteria to define core recreation and park services and developing goals for core programs (Recommendations 4.9 and 4.10), and (c) developing policies and procedures related to community partnerships (Recommendation 4.14) be submitted to the Recreation and Park Commission for review and approval.

  Based on the discussion at the December 16, 2005 exit conference, the Budget Analyst concurred with the Department that developing a plan to address recreation trends (Recommendation 4.4) and protocols for checking the integrity of data (Recommendation

4.7) are within the scope of management and therefore revised Recommendation 4.21 to delete reference to Recommendations 4.4 and 4.7.

- The Recreation and Park Department partly disagrees with the Budget Analyst's Recommendation 8.6 to recommend financial terms in the prospective Japanese Tea Garden lease to the Recreation and Park Commission that maximizes lease revenues based on expected increases in Japanese Tea Garden attendance, including achieving revenues of at least $280,000 annually based on attendance of 425,000. According to the General Manager's written response, "The Department will do all it can to maximize revenue from the Japanese Tea Garden. The level of attendance at the Japanese Tea Garden, even with the re-opening of the deYoung Museum does not support a revenue expectation of $280,000 annually. The Department expects to re-bid the concession for the Tea Garden at approximately the time that the Academy of Sciences re-opens. At that time the Department will review the appropriate minimum guarantee for the lease".

  <u>Budget Analyst response</u>: As noted in Section 8, pages 132 and 133 of the management audit report, rent, under the July 1, 2003 lease agreement between the Recreation and Park Department and Fashion House, Inc., the existing lessee which is operating the Japanese Tea Garden, was significantly reduced from the prior agreement, resulting in the annual minimum guaranteed rent decreasing from $280,000 to $150,000, or a reduction in minimum guaranteed rent of $130,000 annually.

  Although Japanese Tea Garden attendance fell after September 11, 2001, due to a decrease in San Francisco tourism and the construction of the adjacent deYoung Museum, attendance is expected to increase due to the opening of the new deYoung Museum and the 800-space Music Concourse Parking Garage. The Department is expected to select a new Japanese Tea Garden operator in January of 2006 as the result of a Request for Proposals process, and the Budget Analyst recommends that the Department negotiate a new lease that acknowledges increased attendance and ensures revenues of at least $280,000 annually based on attendance of 425,000 annually, which is comparable to the Department's Japanese Tea Garden lease revenues under the prior lease in FY 2000-2001, in which the Department received $286,493 based on attendance of 422,253.

  The Budget Analyst notes that, in accordance with Charter Section 9.118, which requires Board of Supervisors approval of leases of ten years or more or with revenues of $1 million or more, the subject lease will most likely be subject to Board of Supervisors approval.

- Kemper Sports Management operates the Harding Park Golf Course under a management agreement with the Recreation and Park Department. The management agreement with Kemper Sports Management allows for Kemper to borrow up to $2 million from a "financial institution of its choosing" to pay for operating costs prior to the opening of Harding and Fleming Golf Courses and to construct interior improvements to the new Harding Park Golf Course clubhouse, for which the City is obligated to reimburse Kemper the monthly loan payments and repay the loan in full if the management agreement terminates, except in the event of default by Kemper. According to the Recreation and Park Department, Kemper Sports Management has borrowed $969,640 under the loan agreement. Kemper Sports Management has never provided the loan documents to the Department. In fact, Kemper Sports Management rejected the Budget Analyst's request for Kemper to provide copies of the loan documents to the Budget Analyst.

The Recreation and Park Department disagrees with Recommendation 8.9 to terminate the management agreement with Kemper Sports Management if Kemper Sports Management refuses to both (a) provide the loan documents to the City within 30 days of the Department's request (as noted in Recommendation 8.7) and (b) cooperate with a subsequent audit by the Controller (as noted in Recommendation 8.8). According to the General Manager's written response, "Kemper Sports Management has proven to be an effective manager of the Harding Park Golf Course to date. Indeed, Harding Park currently functions better than any of the Department's other golf courses and the Department values its relationship with Kemper accordingly. The Department has begun discussions with Kemper about sharing the loan documents with the City and believes that this recommendation will soon be moot".

Budget Analyst response: The Budget Analyst totally disagrees with the Recreation and Park Department General Manager on this point. As noted in Section 8, pages 134 and 135 of the management audit report, the management agreement between the Recreation and Park Department and Kemper Sports Agreement makes the City responsible for repaying a loan taken by Kemper without requiring Kemper to provide loan documentation to the City and without Board of Supervisors approval. As previously noted, despite the Budget Analyst's request, Kemper Sports Management has refused to provide copies of the loan documents. The Budget Analyst recommends that the Department immediately terminate the agreement with Kemper Sports Management and rebid the management agreement to operate Harding Park Golf Course if Kemper Sports Management does not provide the loan documents to the Recreation and Park Department within 30 days of the Department's request.

- The Recreation and Park Department disagrees with Recommendation 9.1 to submit the $35 facility use fee to the Board of Supervisors for approval. The General Manager states in his written response that, **"**Rather than formalize this particular facility use fee, the Department will undertake a complete review and restructure of the entire event permit fee schedule to make all fees equitable, transparent, and enforceable for all users."

  Budget Analyst response: This fee should be formalized in the Park Code, and therefore the Recreation and Park Department General Manager should submit the $35 facility use fee, or an increase to the $35 facility use fee based the Department's fee schedule review, to the Board of Supervisors for approval.

- The Recreation and Park Department disagrees with Recommendation 12.5, (a) establishing two Classification 7262 Maintenance Planner positions by substituting them for vacant trade positions to perform planning for selected trades, (b) ensuring that the supervisors for the selected trades receive sufficient work to enable them to maximize scheduling of their journeymen on a weekly basis, (c) assigning the Maintenance Manager, when the position is filled, with overseeing maintenance planning as a primary responsibility, and (d) ensuring that the maintenance planners work primarily on planning duties.

According to the General Manager's written response, "There is no funding for two new planner positions and no justification for the elimination of existing trade positions. The Department is addressing the maintenance planning function through improved planning support of Structural Maintenance functions by the Capital Division, using existing Capital Division staff resources."

Budget Analyst response: As noted in Section 12, pages 175 and 176 of the management audit report, planning and scheduling work orders results in the proper amount of work to the crews and enables control for managing productivity. Currently, the Structural Maintenance Division plans Structural Maintenance Division work only for capital projects but not for routine maintenance projects. Adequate planning and scheduling increases productivity. For example, given the travel times to some of the facilities requiring maintenance, one-way travel times of up to thirty minutes are required to reach the work sites. Under such conditions, failure to bring a critical tool or replacement part can drastically affect a day's productivity. Maintenance planning and scheduling can greatly reduce such occurrences. The Budget Analyst's recommendation to establish two 7262 Maintenance Planner positions by substituting these two proposed new positions for two vacant trades positions, which have been vacant for over one year, would not result in increased salary costs and would increase the productivity and efficiency of the Department's maintenance projects.

We would like to thank the Recreation and Park Department General Manager, his staff, and various representatives from other City departments for their cooperation and assistance throughout this management audit.

Respectfully submitted,

Harvey M. Rose
Budget Analyst

cc:	Supervisor Alioto-Pier	Supervisor Mirkarimi
	Supervisor Ammiano	Supervisor Sandoval
	Supervisor Daly	Mayor Newsom
	Supervisor Dufty	Clerk of the Board
	Supervisor Elsbernd	Edward Harrington, Controller
	Supervisor Ma	Noelle Simmons
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