

## 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.

## Current Capital Program Phase I Funding

Table 18.1 below summarizes the status of the Capital Program Phase I as of August 31, 2005, based on the *RPD Capital Improvement Monthly Expenditure Report as of August 31, 2005*, prepared by the Department. The Capital Program Phase I currently comprises 221 projects with a total appropriation of \$552,542,471. However, the total current appropriation of \$552,542,471 is \$36,125,057 or approximately 6.1 percent less than the Department's total revised estimated cost of \$588,667,528 for the 221 projects.

**Table 17.1**

### Current Status of the Capital Program Phase I as of August 31, 2005

Project Category	Total Appropriation	Actual \$ Reserved, Expended, or Encumbered	Available Balance	Revised Estimated Cost	Current Appropriation Surplus / (Deficit)
Completed, Closed Out, or Cancelled (70 projects)	\$105,097,785	\$98,399,570	\$6,698,215	\$101,906,006	\$3,191,779
Active (49 projects)	146,968,968	59,133,597	87,835,371	169,401,431	(22,432,463)
On hold, Rescheduled, or Planning Phase (17 projects)	1,968,952	266,633	1,702,319	1,603,001	365,951
Citywide, Master Accounts, Unallocated Funds (12 projects)	15,439,330	15,210,330	229,000	12,772,149	2,667,181
Other (4 projects)	4,174,609	2,886,232	1,288,377	26,992,000	(22,817,391)
Golden Gate Park (35 projects)	188,348,586	46,623,738	141,724,848	192,717,401	(4,368,815)
Zoo (1 project)	53,093,705	43,089,615	10,004,090	51,840,462	1,253,243
<b>Majority Open Space Funded Projects</b>					
Property Acquisitions (12 projects)	9,509,949	9,402,852	107,097	9,536,263	(26,314)
Contingency (2 projects)	6,083,592	29,852	6,053,740	5,093,592	990,000
Various Citywide Projects (19 projects)	<u>21,856,995</u>	<u>14,370,879</u>	<u>7,486,116</u>	<u>16,805,223</u>	<u>5,051,772</u>
<b>TOTAL (221 projects):</b>	<b>\$552,542,471</b>	<b>\$289,413,298</b>	<b>\$263,129,173</b>	<b>\$588,667,528</b>	<b>(\$36,125,057)</b>

Source: Recreation and Park Department Capital Division, *RPD Capital Improvement Monthly Expenditure Report as of August 31, 2005*

Table 17.2 below summarizes the funding sources for the Capital Program Phase I's current total appropriation of \$552,542,471. Table 17.2 shows that (a) 22.9 percent of the total appropriation is funded by the General Fund, the Open Space Fund, Downtown Park Funds, and other departments' funds, (b) 57.3 percent is funded by bonds, (c) 16.0 percent is funded by grants, and (d) 3.8 percent is funded by gifts.

**Table 17.2**  
**Funding Sources for the Capital Program Phase I's**  
**Total Appropriation, as of August 31, 2005**

Funding Source	Current Allocation	Percentage
Open Space Fund	\$84,751,071	15.3%
2000 Neighborhood Park Bonds	112,314,675	20.3%
Revenue Bond Funds	27,005,000	4.9%
Grant Funds	88,385,102	16.0%
Gift Funds	21,059,894	3.8%
Total 1987, 1992, 1995, 1997, and 2000 Bond Funds	177,322,662	32.1%
Downtown Park Funds	7,107,500	1.3%
Other Departments' Funds	9,261,940	1.7%
General Fund	<u>25,334,627</u>	<u>4.6%</u>
<b>TOTAL:</b>	<b>\$552,542,471</b>	<b>100.0%</b>

Source: Recreation and Park Department Capital Division, RPD Capital Improvement Monthly Expenditure Report as of August 31, 2005

The funding source breakdowns for (a) completed, closed out, or cancelled projects, (b) active projects, (c) on hold, rescheduled, and planning phase projects, (d) citywide and master account projects, (e) other projects, and (f) Golden Gate Park projects are detailed below.

### Completed, Closed Out, or Cancelled Projects

Based on the *RPD Capital Improvement Monthly Expenditure Report as of August 31, 2005*, 70 capital improvement projects were completed (49 projects), closed out (19 projects), or cancelled (two projects) by August 31, 2005. (These figures exclude completed and closed out Golden Gate Park capital improvement projects which are discussed as a separate category below.)

The funding sources for the total appropriation of \$105,097,785 for the 70 completed, closed out, or cancelled capital improvement projects are shown in Table 17.3 below.

The amount of \$105,097,785 represents \$6,698,215 or approximately 6.6 percent more than the \$98,399,570 actually reserved, expended, or encumbered on the 70 completed, closed out, or cancelled capital improvement projects.

Table 17.3

## Funding Sources for the 70 Completed, Closed Out, or Cancelled Capital Improvement Projects

Funding Source	Appropriation for the 46 Projects Identified in 98 - 99		Appropriation for the 24 Projects Not Identified in 98 - 99		Appropriation for All 70 Projects	
	Assessment	% of Appropriation	Assessment	% of Appropriation	Projects	% of Appropriation
Open Space Fund	\$27,763,745	35.7%	\$12,624,825	46.1%	\$40,388,570	38.4%
2000 Neighborhood Park Bonds	22,620,341	29.1%	4,018,778	14.7%	26,639,119	25.4%
1987 Park Bonds	2,388,709	3.1%	1,382,596	5.1%	3,771,305	3.6%
General Fund	5,334,226	6.9%	1,402,035	5.1%	6,736,261	6.4%
Other Departments' Funds	3,627,432	4.7%	331,586	1.2%	3,959,018	3.8%
Total Downtown Park Funds	0	0.0%	3,823,656	14.0%	3,823,656	3.6%
Grant Funds	14,004,989	18.0%	3,790,531	13.8%	17,795,520	16.9%
Gift Funds	1,984,336	2.5%	0	0.0%	1,984,336	1.9%
<b>Total Appropriation:</b>	<b>\$77,723,778</b>	<b>100.0%</b>	<b>\$27,374,007</b>	<b>100.0%</b>	<b>\$105,097,785</b>	<b>100.0%</b>

Source: Recreation and Park Department Capital Division, *RPD Capital Improvement Monthly Expenditure Report as of August 31, 2005*

The largest individual source of funds was the Open Space Fund which contributed \$40,388,570 or approximately 38.4 percent of the total appropriation. The General Fund, other departments' special funds, and the downtown park funds<sup>1</sup> contributed \$14,518,935 or approximately 13.8 percent of the total appropriation. The 1987 Park Bonds and the 2000 Neighborhood Park Bonds contributed \$30,410,424 or approximately 29.0 percent of the total appropriation. The Department advises that 1987 Park Bonds were still available for expenditure after 2000, 13 years after their issuance, because the projects funded by those bonds took longer to complete than originally planned due to design, bidding, and construction issues. The Department of Public Works is currently in the process of closing out the remaining four projects. The balance remaining after that process will be used to cover litigation costs on the Portsmouth Square project arising from the contractor's failure to construct the clubhouse as specified, which resulted in water damage to the structure. The Department anticipates that the litigation and expert witness costs incurred will be in excess of \$100,000. The Department is currently consulting with the City Attorney on the City's liability.

Grant funds contributed \$17,795,520 or approximately 16.9 percent, and assisted with the funding of seven projects. Gift funds contributed \$1,984,336 or approximately 1.9 percent, and also assisted with the funding of 15 projects. Therefore, third party grant and gift funding only amounted to approximately 18.8 percent of the total \$105,097,785 appropriation. The seven projects which received gift funds were:

- The Japantown Peace Plaza and Pagoda project (the City of San Francisco Western Addition Parking Garage Corporation's \$550,000 gift<sup>2</sup> and the Friends of Peace Plaza's \$150,000 gift, for a total gift of \$700,000, jointly represented approximately 23.6 percent of the total project cost of \$2,963,963).
- The Koshland Park project (the Koshland Family and San Francisco Foundation's \$400,000 gift was approximately 27.6 percent of the total project cost of \$1,449,697).
- The Randall Museum Grounds project (the Randall Museum Friends' \$400,000 gift was approximately 20.8 percent of the total project cost of \$1,920,690).
- The Pioneer Park project (the \$352,000 gift of the Friends of Recreation and Park, the Pioneer Park Project, and JC Decaux was approximately 15.2 percent of the total project cost of \$2,314,294).
- The Portsmouth Square Playground Clubhouse project (the \$73,000 gift was approximately 3.6 percent of the total project cost of \$2,023,741).

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<sup>1</sup> The Downtown Park Fee, adopted in 1985, is imposed on office development projects within specific downtown "Specific Use Districts" and can be used to acquire park lands in the area. The fee is \$2.00 per square foot of net new area developed.

<sup>2</sup> The Board of Supervisors approved the acceptance of the City of San Francisco Western Addition Parking Garage Corporation's gift of \$550,000 as part of the Board of Supervisors' approval of the dissolution of that corporation and transfer of its assets and liabilities to the Japan Center Garage Corporation, which assumed responsibility for the Japan Center Garages' leases (Ordinance 244-99).

- The Helen Wills Park and Clubhouse project (the \$42,336 in gifts and bequests was approximately 1.2 percent of the total project cost of \$3,414,574).
- The Alamo Square Children's Play Structure project (neighborhood gifts of \$17,000 represented approximately 1.3 percent of the total project cost of \$1,278,016).

However, the gift fund figure of \$1,984,336 is an underestimate in that it does not include six gifts donated to the Capital Program Phase I but not recorded by the City's FAMIS accounting system:

- The Stern Grove project (an up to \$12 million gift-in-place from the Stern Grove Festival Association).
- The Walter Haas Playground project (an approximately \$95,000 gift from the Friends of Walter Haas Playground consisting of landscape architecture services, a conceptual plan, and construction documents).
- The Visitacion Valley Greenway - Senior Park project (a \$9,416 gift-in-place from the Friends of Recreation and Parks).
- The Visitacion Valley Greenway - Hans Schiller Plaza project (a \$300,000 gift-in-place from the Trust for Public Land funded by a grant secured by a donor).
- The Head/Brotherhood Mini Park project (a \$90,000 gift-in-place from the San Francisco Conservation Corp funded through a Mayor's Office of Community Development grant).
- The Julius Kahn Playground project (a \$750,000 gift-in-place from the Kahn family).

### **Active Projects**

Based on the *RPD Capital Improvement Monthly Expenditure Report as of August 31, 2005*, 49 capital improvement projects are currently in the planning, design, bid, or construction phases.

The funding sources for the total current appropriation of \$146,968,968 for the 49 active capital improvement projects are shown in Table 17.4 below. As of August 31, 2005, \$59,133,597 or approximately 40.2 percent of the total appropriation of \$146,968,968 has been reserved, expended, or encumbered, leaving \$87,835,371 or approximately 59.8 percent still available for project completion.

However, as shown in Table 17.1 above, based on the Department's revised total estimate of \$169,401,431 for the 49 active capital improvement projects, there is a cumulative appropriation deficit of \$22,432,463 for the 49 active projects. As outlined below, this is only partially offset by (a) the \$6,698,215 in surplus appropriation funding for the 70 completed, closed out, or cancelled capital improvement projects, and (b) the placing of

eight projects on hold, rescheduling five projects, and delaying four projects' planning phases.



Table 17.4

## Funding Sources for the 49 Active Capital Improvement Projects

Funding Source	Current Appropriation for the 29 Active Projects Identified in 98 - 99 Assessment		Current Appropriation for the 20 Active Projects Not Identified in 98 - 99 Assessment		Current Appropriation for All 49 Active Projects	
		% of Appropriation		% of Appropriation		% of Appropriation
Open Space Fund	\$8,310,059	7.0%	\$1,588,272	5.6%	\$9,898,331	6.7%
2000 Neighborhood Park Bonds	73,219,704	61.7%	8,809,617	31.3%	82,029,321	55.8%
Lease Revenue Bond Swap	19,764,440	16.6%	1,136,138	4.0%	20,900,578	14.2%
1987 Park Bond	0	0.0%	66,420	0.2%	66,420	0.1%
General Fund	5,997,138	5.1%	1,550,000	5.5%	7,547,138	5.1%
Other Departments' Funds	0	0.0%	1,350,000	4.8%	1,350,000	0.9%
Total Downtown Park Funds	450,000	0.4%	2,724,148	9.7%	3,174,148	2.2%
Federal and State Grant Funds	9,912,343	8.3%	5,574,020	19.8%	15,486,363	10.6%
Gift Funds	<u>1,121,057</u>	<u>0.9%</u>	<u>5,395,612</u>	<u>19.1%</u>	<u>6,516,669</u>	<u>4.4%</u>
<b>Total Appropriation:</b>	<b>\$118,774,741</b>	<b>100.0%</b>	<b>\$28,194,227</b>	<b>100.0%</b>	<b>\$146,968,968</b>	<b>100.0%</b>

Source: Recreation and Park Department Capital Division, *RPD Capital Improvement Monthly Expenditure Report as of August 31, 2005*

The largest individual source of funds is the 2000 Neighborhood Park Bonds, contributing \$82,029,321 or approximately 55.8 percent of the total appropriation. The 1987 Park Bonds and an appropriation swap between existing Capital Program Phase I appropriations and future lease revenue bond appropriations (expected to be issued in Spring of 2006) jointly contribute \$20,966,998 or 14.3 percent of the total appropriation. The General Fund, other departments' special funds, and the downtown park funds jointly contribute \$12,071,286 or approximately 8.2 percent of the total appropriation. Federal and State grant funds contribute \$15,486,363 or approximately 10.6 percent, while gift funds contribute \$6,516,669 or approximately 4.4 percent. Therefore, \$22,003,032 in third party grant and gift funding only amounts to approximately 15.0 percent of the total \$146,968,968 appropriation. This is even less than the 18.8 percent achieved for the completed, closed out, or cancelled projects described above.

While grant funds contribute to 13 of the 49 active projects, gift funds contribute to just six of the 49 active projects:

- The Harding Park Clubhouse project (the \$3,395,612 gift of the Stanley Langendorf Foundation, the Friends of Recreation and Parks, and Schwab One - San Francisco First Tee Program is approximately 41.3 percent of the revised estimated total project cost of \$8,222,491).
- Two Palace of Fine Arts renovation projects (the non-profit Maybeck Foundation's \$2,750,435 contribution<sup>3</sup> to this joint project with the City is approximately 13.4 percent of the revised estimated total project cost of \$20,561,760).
- The Lincoln Playground project (Albertson's Market's \$200,000 gift is the complete appropriation to date despite a revised estimated total project cost of \$500,000).
- The Fay Park Garden project (bequests in the amount of \$160,622 represent approximately 18.5 percent of the revised estimated total project cost of \$866,000). The property itself was a bequest accepted by the Recreation and Park Commission in 1998.
- The Alta Plaza Park Children's Play Structure project (the Friends of Alta Plaza's \$10,000 gift is approximately 1.2 percent of the revised estimated total project cost of \$819,000).

### **On Hold, Rescheduled, or Planning Phase 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. In September of 2004, ten of those projects were taken off on hold status. Based on the *RPD Capital Improvement Monthly Expenditure Report as of August 31, 2005*, by August 31, 2005 two of the original 19 on-hold projects had become active projects, eight capital improvement projects are currently on hold, five are

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<sup>3</sup> The contribution of \$2,750,435 includes \$250,435 from the Walter S. Johnson Foundation.

being rescheduled to start later than originally planned, and four are moving, after a delay, into their planning phases.

The longer projects are on hold, the more significant the impact of cost escalation will be on their overall costs. Construction industry cost escalation in 2004 was approximately 11 percent.

The funding sources for the total appropriation of \$1,968,952 for the 17 on hold, rescheduled, or planning phase capital improvement projects<sup>4</sup> are the Open Space Fund (\$434,123 or approximately 22.0 percent), the 1987 Park Bonds (\$59,273 or approximately 3.0 percent), the 2000 Neighborhood Parks Bonds (\$342,400 or approximately 17.4 percent), and the General Fund (\$1,133,156 or approximately 57.6 percent). There are no grant or gift funds appropriated for the on hold, rescheduled, or planning phase capital improvement projects. As of August 31, 2005, only \$266,633 of the total appropriation of \$1,968,952 has been expended, leaving \$1,702,319 available for project completion. However, even the eight projects listed in the *Assessment Study: 1998 - 1999* had an estimated total capital improvement project cost of \$11,158,110 in FY 1998-1999. This does not include the remaining nine on hold, rescheduled, or planning phase capital improvement projects.

### **Golden Gate Park Projects**

Based on the *RPD Capital Improvement Monthly Expenditure Report as of August 31, 2005*, 35 capital improvement projects are located in Golden Gate Park.

As shown in Table 17.5 below, the largest source of funds is the 1995 Steinhart Aquarium Improvement Bonds and the 2000 California Academy of Sciences Improvement Bonds which jointly contribute \$116,690,000 or approximately 61.9 percent of the total appropriation. The California Academy of Sciences rebuilding project is co-managed by the Department of Public Works and the California Academy of Sciences, with input from the Recreation and Park Department.

Residual funding available from the 1992 Golden Gate Park Bonds contributes \$4,145,103 or 2.2 percent of the total appropriation. The Open Space Fund, the General Fund, and other departments' funds contribute \$1,094,875 or approximately 0.6 percent of the total appropriation. State grant funds contribute \$54,009,719 or approximately 28.7 percent of the total appropriation. Gift funds contribute \$12,408,889 or approximately 6.6 percent of the total appropriation.

While grant funds contribute to 26 of the 35 Golden Gate Park capital projects, gift funds contribute to only six of the 35 projects:

- The completed Conservatory of Flowers project, under the fundraising leadership of the Friends of Recreation and Parks (the \$9,750,000 gift was approximately 53.4 percent of the total project cost of \$18,262,719).

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<sup>4</sup> As of August 31, 2005.

- The Music Concourse Surface Improvements project currently under construction, due to a legislatively required contribution from the Golden Gate Park Concourse Authority (the \$1,550,000 contribution is approximately 17.2 percent of the revised total estimated project cost of \$9,030,000).
- The Fuhrman Bequest (\$499,000). This funding, along with State Proposition 40 funding, will fund 28 Golden Gate Park projects started in FY 2004-2005. Some of these projects have been completed, with the remainder to be completed in FY 2005-2006.
- The Murphy Windmill Restoration project currently under construction (the Friends of Recreation and Parks' \$389,889 gift is approximately 10.7 percent of the revised total estimated project cost of \$3,635,800).
- The completed County Fair Building project (the Strybing Arboretum Society's \$233,299 gift was approximately 7.2 percent of the total project cost of \$3,244,321).
- The Strybing Arboretum project currently under construction (the Strybing Arboretum Society's \$6,701 gift is approximately 0.2 percent of the total estimated project cost of \$3,006,701).

**Table 17.5**

**Funding Sources for the Current Appropriation for the  
35 Golden Gate Park Capital Improvement Projects**

<b>Funding Source</b>	<b>Current Appropriation Amount</b>	<b>% of Total Appropriation</b>
Open Space Fund	\$94,541	0.0%
1992 Golden Gate Park Bonds	4,145,103	2.2%
1995 Steinhart Aquarium Improvement Bonds and 2000 California Academy of Sciences Improvement Bonds	116,690,000	61.9%
General Fund	882,963	0.5%
Other Departments' Funds	117,371	0.1%
State Grant Funds	54,009,719	28.7%
Gift Funds	<u>12,408,889</u>	<u>6.6%</u>
<b>TOTAL:</b>	<b>\$188,348,586</b>	<b>100.0%</b>

Source: Recreation and Park Department Capital Division, *RPD Capital Improvement Monthly Expenditure Report as of August 31, 2005*

## **Unfunded Projects**

As shown in Table 17.1 above, the Capital Program Phase I currently consists of 221 projects with a revised total estimated cost of \$588,667,528, or \$36,125,057 more than the current appropriation of \$552,542,471. The Department's current policy to address this \$36,125,057 shortfall is to pursue grants and philanthropic gifts, while reducing the scope of all active projects.

Capital Program Phase II and Phase III specify 229 projects to be performed at 154 sites at an estimated cost of an additional \$553,000,000. These projects have been prioritized, but no schedule has been set. The Department's current policy is to refrain from initiating any new projects until all current projects are fully funded. The Department currently does not have a plan for funding Phase II and Phase III.

Therefore, based on the \$36,125,057 deficit for the Capital Program Phase I projects and a \$553,000,000 shortfall for the 229 Phase II and Phase III projects, the Department currently faces a total Capital Program funding shortfall of \$589,125,057.

## **Capital Program Funding Sources**

In 1947, voters approved bonds in the amount of \$12,000,000 for neighborhood parks. No further bonds were approved for neighborhood parks until the 2000 Neighborhood Park Facilities Improvement General Obligation Bonds, a gap of 53 years. However, during that time period there were a number of bond measures for Golden Gate Park, including the 1977 Park Department Irrigation Bonds (\$9,270,000), the 1987 Recreation and Park Bonds (\$18,000,000), and the 1992 Golden Gate Park Bonds (\$76,300,000). During that time period other bond measures failed, including the proposed 1968 Recreation and Park Bonds (\$14,885,000), the proposed 1968 Bayview-Hunters Point Bonds (\$6,245,000), and the proposed 1969 Recreation and Park Bonds (\$9,998,000).

## **Current Capital Program Funding Sources**

The current Capital Program was designed to combine multiple funding sources. The \$400 million cost estimate of the Department's initial Capital Program, which has never been fully funded, anticipated funding from the following sources:

- Open Space Fund (\$120 million). The Department originally estimated a contribution from the Open Space Fund of \$12 million per year. However, the average contribution since FY 2000-2001 has been only \$6.36 million due to (a) changes in the economy, and (b) redirection of Open Space Fund monies to the Department's operating needs. The Open Space Fund is discussed in more detail in Section 5 of this management audit report.
- General obligation bonds (\$110 million). Voters approved these bonds in March of 2000. All \$110 million has now been appropriated, as discussed below.

- Grants (\$100 million) and gifts (\$40 million). In the 2004 Capital Plan, the Department advised that it had successfully secured more than \$55 million in gifts, pledges, grants, and other sources, at an average of \$13.8 million per year, just short of its planning goal of \$14 million per year. However, as noted above, grant and gift funding only contributed 18.8 percent of the total costs of the 70 completed, closed out, or cancelled projects (excluding the six additional gifts listed above), and 15.0 percent of the 49 active projects. Due to significant State grant funding of the Golden Gate Park projects, grant and gift funds have contributed a more significant 30.6 percent of the funding required for the 35 Golden Gate Park projects. To date, the Department has applied for \$14.7 million in competitive grant funds which it was not successful in winning.<sup>5</sup>
- Revenue bonds (\$30 million). The Department anticipates issuing these in January of 2006.

### ***2000 Neighborhood Park Facilities Improvement General Obligation Bonds***

The 2000 Neighborhood Park Facilities Improvement General Obligation Bonds, in the amount of \$110 million, were sold incrementally, as shown in Table 17.6 below:

**Table 17.6**

### **2000 Neighborhood Park Facilities Improvement General Obligation Bonds Sale History**

<b>Sale</b>	<b>Appropriation Date</b>	<b>Amount</b>
1 <sup>st</sup> Sale	June 14, 2000	\$6,180,000
2 <sup>nd</sup> Sale	January 7, 2001	14,060,000
3 <sup>rd</sup> Sale	June 25, 2003	10,360,000
4 <sup>th</sup> Sale	June 25, 2003	10,600,000
Interest Appropriation	June 25, 2003	960,000
5 <sup>th</sup> Sale	October 28, 2004	<u>68,800,000</u>
<b>Total Bond Sales:</b>		<b>\$110,960,000</b>

Source: Recreation and Park Department

The Budget Analyst questioned why all of the 2000 Neighborhood Park Facilities Improvement General Obligation Bonds had already been sold despite an available appropriation of \$263,129,173 for the Capital Program (as shown in Table 17.1 above)

<sup>5</sup> Recreation and Park Department, *Program Management Report: Capital Improvement Plan - Expenditures Through May 31, 2005*.

and asked if the unexpended bonds have incurred interest costs. In response, the Department advised that the Department had determined, after evaluating the project timelines, that a single bond sale would be best because all bond funds would be encumbered well within the 36 month period in which interest earnings are permissible from unexpended bonds. The Department advised that, to date, no interest costs have been incurred, only interest earnings.

### ***Options for Future Funding Sources***

As noted previously, the Department's Capital Program has never been fully funded. Based on the \$36,125,057 deficit for the Capital Program Phase I projects and a \$553,000,000 shortfall for the 229 Phase II and Phase III projects, the Department currently faces a total Capital Program funding shortfall of \$589,125,057.

In order to fund the Capital Program fully, the Department is going to need to obtain revenue from a variety of funding sources. Projects will continue to be composites of multiple funding sources. Development of innovative ways of raising funds, in addition to expanding more traditional funding avenues, will be a key responsibility of the Department's new Director of Partnerships and Property Management position.

The future mix of Capital Program funding sources could include:

- New general obligation and/or lease revenue bonds. In its *Capital Plan - 2004 Annual Update*,<sup>6</sup> the Department stated that it is "hopeful of the [City's] adoption of a long-term, multi-year schedule of general obligation bond proposals, to address the capital improvement needs of General Fund supported departments, including the Recreation and Park Department." Given the lead time required to put general obligation bond proposals before the voters, the Department needs to be planning for such bonds now. To this end, the Department is working with the City Administrator's Office on developing (a) the Recreation and Park Department component of a city-wide capital asset inventory and capital improvement plan currently under development, and (b) a proposal for a future parks bond.
- Competitive grants. To date, the Department has not developed an overarching plan or strategy to increase its funding from grant sources. However, the Department has hired a grant writer to focus on researching and securing grant opportunities for the Department's programs, and to work with the San Francisco Parks Trust to assist with and coordinate grant applications.
- Philanthropic gifts. To date, the Department has not developed an overarching plan or strategy to increase its funding from philanthropic sources. The Department works with the San Francisco Parks Trust which was established to aid the Department in securing outside resources for park system improvements, both capital and programming. Further, the Department intends to hire into a new Director of

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<sup>6</sup> Recreation and Park Department, Capital Improvement Division, *Capital Plan - 2004 Annual Update* (March, 2005), page 92.

Partnerships and Property position in the Spring of 2006 which will be responsible for developing partnerships and fostering philanthropic opportunities. The Department needs to canvas as wide a pool of donors as possible, particularly for those projects where Recreation and Park Department facilities will also be venues for social services delivered by other agencies with different mandates and, therefore, different potential donor pools. The degree to which the Department can attract more donors from a wider pool will have a direct bearing on its ability to implement its Capital Program fully. However, expansion of its donor pool will also require the Department to develop its capacity to work with the donor community, to develop mechanisms which assure donors that their investments will be well maintained (for example, through maintenance memorandums of understanding), and to develop ways of ensuring equitable distribution of capital improvement projects so that donations do not skew the Department's prioritization process (for example, through pooling a percentage of donations for use in under-served portions of the City). Innovative ways need to be developed for communities to more easily make in-kind donations of professional services, "sweat equity," materials and supplies, and land.

- Public/private partnerships, including working closely with private sector property developers and public sector development agencies. The fundraising for, and subsequent management of, the Conservatory of Flowers is an example of a public/private partnership for an existing facility. Other existing facilities which could benefit from such an approach include the Botanical Gardens at Strybing Arboretum, Camp Mather, the Marina, and the Randall Museum.
- Public sector partnerships with agencies which have overlapping needs and facilities (for example, the San Francisco Unified School District, City College, and the Public Library).
- Small business and corporate sponsorships.
- Special voter-approved tax assessments such as Landscape Assessment Districts and Community Benefit Districts (Mello-Roos districts), as used elsewhere in the Bay Area.
- Expansion of downtown park funds.
- Increased revenue generation from renovated, rebuilt, and new facilities.

Going forward, the Department also needs to develop, and win political support for, ongoing funding mechanisms to support:

- The Department's ongoing capital asset maintenance obligations, to ensure that the publicly and privately funded investments made through its Capital Program are not undermined by deferred maintenance in the future, which can also deter donors from future philanthropic giving.



- The Department's ongoing capital asset maintenance obligations related to other organizations' capital programs. For example, the Department will be responsible for maintaining the privately funded landscapes around the de Young Museum, the California Academy of Sciences, and the Music Concourse.
- The Department's future facility replacement program given the varying useful lives of different types of facilities. For example, swimming pools have a different life span to clubhouses.

## **Conclusions**

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.

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.

## **Recommendations**

The Recreation and Park Commission and the Recreation and Park Department General Manager should:

- 17.1 Consider the full range of funding options for the Department's Capital Program, including: (a) new general obligation and/or lease revenue bonds, (b) increasing the Department's 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.
- 17.2 Develop an overarching plan to increase Capital Program funding from grant and philanthropic gift sources.

- 17.3 Focus on submitting well-supported grant applications to all possible grant funding agencies and canvassing 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.
- 17.4 Develop the Department's capacity to work with the donor community, to develop mechanisms which assure donors that their investments will be well maintained, to develop ways of ensuring equitable distribution of capital improvement projects so that donations do not skew the Department's prioritization process, and to develop innovative ways for communities to more easily make in-kind donations of professional services, "sweat equity," materials and supplies, and land.
- 17.5 Develop ongoing funding mechanisms to support of (a) the Department's own ongoing capital asset maintenance obligations, (b) the Department's ongoing capital asset maintenance obligations related to other organizations' capital programs, and (c) the Department's future facility replacement program.

## **Costs and Benefits**

Based on the \$36,125,057 deficit for the Capital Program Phase I projects and the additional \$553,000,000 estimated cost of 229 Phase II and Phase III projects, the Department currently faces a total Capital Program funding shortfall of \$589,125,057. A funding shortfall of this magnitude will require the Department to consider all available funding options, with a particular focus on outreach to potential granting agencies and philanthropic donors. Such an approach would enable the Department to obtain revenue from as wide a variety of funding sources as possible.

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.