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 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 located near Yosemite National Park, Camp Mather, needs an estimated $20 million in critical 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 to fund such improvements, 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 30 year debt at 5 percent.**

- **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 California Department of Boating and Waterways funding is uncertain and dredging costs due to contaminated soil could range from $2.8 million to $7.6 million. According to the City Attorney's Office, the problem of contaminated soil in the East Harbor could result in litigation between the City and the Pacific Gas and Electric Company over responsibility to pay for mitigation of the contaminated soil.**

- **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 2004-2004, which already exceeded the national industry standard of 171.1 percent, to 254.6 percent in FY 2005-2006. The high overhead rates result 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.**

Planning for the Capital Costs of Revenue-Generating Programs

The Recreation and Park Department has several programs that are funded solely through revenues. Two of these programs are established as separate funds: (a) the golf courses, which are funded through the Golf Fund, discussed in Section 6 of this report, and (b) the Marina Yacht Harbor, which is funded through the Marina Yacht Harbor Fund.

Monster Park Stadium and Camp Mather expenses are paid by operating revenues although these two programs are not set up as separate funds. Monster Park Stadium is funded through stadium revenues, largely through the lease agreement with the San Francisco Forty-Niners. Camp Mather is funded by camp fees and concession revenues.

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 Recreation and Park Department faces significant capital costs for the East Harbor of the Marina Yacht Harbor, but the proposed funding source, a California Department Boating and Waterways loan, is uncertain.

Monster Park Stadium's Revenues and Operating and Capital Costs

The Recreation and Park Department owns and operates Monster Park Stadium. The major part of the Stadium's revenues come from the sole tenant, the San Francisco Forty-Niners, although the Recreation and Department receives revenues from other Stadium events. Under the lease and other agreements between the Forty-Niners and the City, the Forty-Niners pay 10 percent of admission and luxury box receipts, 42 percent of parking lot receipts, and 4 percent of food and beverage concessions. The Forty-Niners also pay rent for stadium advertising rights and for naming rights, and pay an admission tax on tickets sold. Under the terms of the lease agreement between the City and the Forty-Niners, which expires on May 31, 2008, the City is responsible for the stadium's maintenance and repairs. Table 7.1 summarizes Monster Park Stadium's annual revenues and operating expenses.

Table 7.1

Monster Park Stadium's Annual Operating Revenues and Expenses FY 2002-2003 through FY 2004-2005

	FY 2002-2003	FY 2003-2004	FY 2004-2005	Average Annual Growth Rate
Admission Tax	$1,315,000	$1,181,187	$795,990	(22.2%)
Rents and Concessions	6,687,000	6,124,307	6,499,182	(1.4%)
Permits and Naming Rights	175,000	369,149	833,154	118.2%
Total Revenues	8,177,000	7,674,643	8,128,326	(0.3%)
Salaries	$1,130,205	$753,248	$780,250	(16.9%)
Fringe Benefits	281,287	151,401	203,380	(15.0%)
Overhead	0	225,811	245,267	8.6%
Non Personal Expenses	877,758	550,561	640,609	(14.6%)
Materials and Supplies	460,838	263,067	204,234	(33.4%)
Services of Other Departments	1,144,315	995,230	639,546	(25.2%)
Facilities Maintenance	905,037	1,005,663	1,160,594	13.2%
Total Expenditures	4,799,440	3,944,981	3,873,880	(10.2%)
Surplus Revenues	**$3,377,560**	**$3,729,662**	**$4,254,446**	**12.2%**

Source: Recreation and Park Department

Over the past two fiscal years, Monster Park Stadium expenditures have decreased at a higher rate than revenues, resulting in increased surplus revenues. However, beginning in FY 2005-2006, the Forty-Niners will receive rent credits for capital repairs to the stadium, totaling $4.25 million over three years. These rent credits have resulted in decreased revenues to the Department, requiring an additional $1.09 million in General Fund support in FY 2005-2006.

The Recreation and Park Department faces significant capital costs for Monster Park Stadium that could exceed the Stadium's annual revenues. In 2000, the Department of Public Works and the Recreation and Park Department identified an estimated $28.7 million in needed capital repairs for Monster Park Stadium. Some of the repairs have been completed since that time or will be completed by the Forty-Niners through rent credits, but the remaining balance of estimated repairs is approximately $23.7 million (in 2000 dollars). The Recreation and Park Department has no other facility assessment for Monster Park Stadium and has no seismic assessment of the stadium.

The Recreation and Park Department is currently in discussions with the Mayor's Office on the future of Monster Park Stadium and Forty-Niners lease. The Recreation and Park Department General Manager should report to the Board of Supervisors prior to December 31, 2006, on the options for repair or replacement of Monster Park Stadium, the planning process, and the timelines.

Camp Mather

The Recreation and Park Department operates the Camp Mather family camp on the outskirts of Yosemite National Park. Camp Mather operating revenues come mainly from the fees charged to families renting tents or cabins during the 10-week summer season. Camp Mather receives some additional revenues from events and concessions. Camp Mather operating expenses include the salary costs for permanent and temporary positions assigned to the Camp, food and other supplies, and facilities maintenance.

Table 7.2

Camp Mather's Annual Operating Revenues and Expenses FY 2002-2003 through FY 2004-2005

	FY 2002-2003	FY 2003-2004	FY 2004-2005	Average Annual Growth Rate
Rents and Concessions	$136,000	$169,771	$174,715	13.3%
Camp Fees	1,198,000	1,261,855	1,430,622	9.3%
Total Revenues	1,334,000	1,431,626	1,605,337	9.7%
Salaries	$285,968	$265,855	$291,323	0.9%
Fringe Benefits	32,118	28,744	34,550	3.7%
Overhead	0	87,539	95,336	8.9%
Non Personal Expenses	22,163	113,608	128,291	140.6%
Materials and Supplies	324,790	400,839	316,577	(1.3%)
Services of Other Departments	21,070	23,321	19,372	(4.1%)
Facilities Maintenance	532,000	558,600	586,530	5.0%
Total Expenditures	1,218,109	1,478,506	1,471,979	9.9%
Surplus Revenues	**$115,891**	**($46,880)**	**$133,358**	**7.3%**

Source: Recreation and Park Department

The Recreation and Park Department incurred an operating deficit in FY 2003-2004 and proposed a fee increase for the following season, resulting in an increase in camp fee revenues in FY 2004-2005. Camp Mather shows an operating surplus of $133,358 in FY 2004-2005, but some operating expenditures are not captured in the Department's reported Camp Mather expenditures, such as registration and marketing costs of approximately $40,000 annually.

The Recreation and Park Department faces significant capital costs for Camp Mather without a funding source to cover such costs. The Department has identified both critical infrastructure needs and facility improvements but has not conducted a formal facility assessment to determine potential costs. The rough estimate for the infrastructure repairs and capital improvements is approximately $20 million, of which $5 million is the cost of installing a new sewage system. 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. For example, if the Recreation and Park Department were to pay debt service on a $20 million loan amortized over 30 years at 5 percent annual interest, Camp Mather revenues would have to increase by approximately 60 percent to cover operating and debt service costs. A 60 percent increase in fees would result in a family of four, who currently pay $114 per night for a Camp Mather Cabin, to pay an additional $68 per night, resulting in an estimated fee of $182 per night.

The Recreation and Park Department Capital Division should assess the Camp Mather facilities to identify the need for capital repairs or replacement, estimate costs, and set priorities and schedules for repair and replacement. The Recreation and Park Department should then report to the Board of Supervisors during FY 2006-2007 on Camp Mather's operating and capital costs, the impact on fees, and the options for maintaining the Camp.

Marina Yacht Harbor

Both the East and West Harbors of the Marina Yacht Harbor need extensive repairs. The California Department of Boating and Waterways has approved the first two phases ($1.5 million and $3.7 million respectively) of a loan of $16.5 million for renovation of the West Harbor. The California Department of Boating and Waterways has approved the entire $16.5 million project but each phase of funding must be approved each budget year. The Recreation and Park Department has initiated discussions with the California Department of Boating and Waterways to obtain an additional loan of $19.6 million to renovate the East Harbor, although the availability of State funds for that loan is uncertain.

The Board of Supervisors approved Marina Yacht Harbor fee increases in FY 2004-2005, totaling 55 percent over five years for the West Harbor and 56 percent over four years for the East Harbor. The Marina Yacht Harbor fees will be adjusted by the Consumer Price Index beginning in FY 2009-20210 for the East Harbor and FY 2010-2011 for the West Harbor.

The Marina Yacht Harbor is a special revenue fund. As shown in Table 7.3, the fund balance was drawn down significantly between FY 2002-2003 and FY 2004-2005, largely due to allocation of $1.2 million of the fund balance as collateral for the California Department of Boating and Waterways loan. At the close of FY 2004-2005, the Marina Yacht Harbor fund balance was $418,107.

Table 7.3

Sources and Uses of Marina Yacht Harbor Fund and Fund Balance FY 2002-2003 through FY 2004-2005

	FY 2002-2003	FY 2003-2004	FY 2004-2005
Berthing Receipts	$1,450,446	$1,503,088	$1,423,252
Concessions	147,708	159,660	163,800
Interest Earnings	57,702	34,071	44,219
Total Sources of Funds	1,655,856	1,696,819	1,631,271
Labor Costs	793,998	705,765	716,939
Non Labor Costs	646,348	516,009	545,696
Total Uses of Funds	1,440,346	1,221,774	1,262,635
Net Revenues	215,510	475,045	368,636
Facilities Maintenance Costs	200,000	550,000	330,000
Marina Yacht Harbor Renovation Costs	0	0	1,205,357
Controller's Audit	0	0	3,071
Total Project Costs	200,000	550,000	1,538,428
Net Results	15,510	(74,955)	(1,169,792)
Beginning Fund Balance	1,590,765	1,665,437	1,580,352
Annual Close out to Fund Balance	59,162	(10,130)	7,547
Ending Fund Balance	**$1,665,437**	**$1,580,352**	**$418,107**

Source: Recreation and Park Department

The West Harbor's projected renovation costs of $16.5 million should be fully funded by the Department of Boating and Waterways loan. The East Harbor's projected renovation costs are significantly higher due to the need to dredge contaminated soil from the harbor. The December 2002 San Francisco Marina Renovation Feasibility Study found elevated levels of polycylic aromatic hydrocarbons, formed during the incomplete burning of oil, gas, tar, or organic substances and considered to be carcinogenic. The City considers the Pacific Gas and Electric Company to be responsible for the contamination and filed suit against the company. However, because the City had not yet incurred costs for the dredging and harbor clean up, the Court dismissed the suit without prejudice, allowing the City to refile. Meanwhile, the City and the Pacific Gas and Electric Company have agreed to share the cost of conducting further environmental studies pursuant to a non-binding 50-50 allocation, up to the total amount of $500,000.

According to the Feasibility Study, polycylic aromatic hydrocarbon contamination exceeding 5 parts per million cannot be disposed in the Bay, resulting in alternative disposal and significant costs. The Feasibility Study provided a range of dredging and disposal costs from $2.8 million to $7.6 million. The estimated cost of $2.8 million would allow dredging of the East Harbor to a depth of eight feet and the channel to a depth of 15 feet, which was considered adequate for marina use, but which would require more frequent marina dredging, thus increasing marina operating costs.

A resolution adopting findings that the Marina Yacht Harbor renovation project is fiscally feasible is pending before the Board of Supervisors. Board of Supervisors' approval of the proposed resolution is necessary for completion of the Environmental Impact Report. The draft Environmental Impact Report was heard before the Planning Commission on October 28, 2005, but has not yet been approved. According to the Recreation and Park Department, the Department expects Planning Commission approval of the draft Environmental Impact Report and to calendar the resolution adopting findings that the Marina Yacht Harbor renovation project is fiscally feasible for Board of Supervisors' approval in January 2006.

The Administrative Code sets out five criteria to determine if a project is fiscally feasible, including financial benefit to the City, construction costs, funding availability for the project, long-term operating and maintenance costs for the project, and debt load. According to the Budget Analyst's report to the October 13, 2005 Board of Supervisors Budget and Finance Committee meeting, although the $19.5 million loan from the California Department of Boating and Waterways had not yet been formally approved for renovation of the East Harbor, the City Attorney stated that the Administrative Code only required that potential identified sources of funds need to be available. Based upon the City Attorney's statement, the Budget Analyst recommended approval of the resolution adopting findings that the Marina Yacht Harbor renovation project is fiscally feasible.

If the Board of Supervisors approves the proposed resolution, the Recreation and Park Department will be able to proceed with renovation of the West Harbor. However, significant uncertainty remains whether the East Harbor renovation is cost effective, given that:

- The Recreation and Park Department would have to determine the actual costs of dredging the contaminated soil in the East Harbor and the impact of ongoing dredging on future operating and maintenance costs.

- The City would need to resolve its dispute with the Pacific Gas and Electric Company favorably to cover the costs of dredging the contaminated soil in the East Harbor.

- The California Department of Boating and Waterways would have to approve and fund a $19.5 million loan to the Recreation and Park Department. Although other forms of funding are available to fund the project, such as Certificates of Participation, the Mayor's Office of Public Finance states that East Harbor revenues under the current fee structure would be insufficient to pay debt service due to the higher borrowing costs for Certificates of Participation.

The Recreation and Park Department should evaluate the possibility of not renovating the East Harbor and placing it into other alternative recreational uses. The Recreation and

Park Department has projected revenues, expenditures, and debt service costs over time based on a cash flow model developed as part of the Feasibility Study. Under the this cash flow model, the West Harbor revenues are sufficient to pay ongoing operating and debt service costs for the West Harbor renovation. However, if the East Harbor were not renovated and not in use as a marina, certain fixed administrative and overhead costs that are allocated to both the West and East Harbor might then be allocated solely to the West Harbor.

The Recreation and Park Department should evaluate the West Harbor's fiscal feasibility, in the absence of renovating the East Harbor, by (a) defining the Marina Yacht Harbor's fixed costs and identifying the impact of allocating 100 percent of fixed costs to the West Harbor, and (b) projecting revenues based on alternative berthing rate scenarios. For example, under the current cash flow model, the West Harbor pays 59 percent of total Marina Yacht Harbor ongoing operating and maintenance expenses and berthing fees would increase by an average of 37 percent in FY 2010-2011 when the renovation project is completed.

During the FY 2006-2007 budget review, the Recreation and Park Department should provide a status report to the Board of Supervisors on (a) the status of the California Department of Boating and Waterways loan for the East Harbor renovation, (b) the status of the City's lawsuit with the Pacific Gas and Electric Company regarding responsibility and costs for the contaminated East Harbor soil, and (c) alternative revenue and cost scenarios for the Marina Yacht Harbor's West and East Harbors.

The Recreation and Park Department's Allocation of Costs to Programs

In FY 2002-2003 the Recreation and Park Department recast its operating budget to better align costs to programs and 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 to capital and facilities maintenance projects. The goal of the cost allocation plan is to:

- Appropriately charge all programs for services and administrative support received.
- Understand the true cost of programs and services provided by the Department.
- Meet Federal, State and City regulations.

The Recreation and Park Department first implemented the cost allocation plan in FY 2003-2004. Under the plan, Department overhead and administrative costs are allocated to General Fund programs, including the capital program, and the Department's various funds, including the work order fund, the Golf Fund, the Open Space Fund, and the Marina Yacht Harbor Fund. These costs are allocated based on the ratio of full time positions in each program or fund to the total Department full time positions.

The Recreation and Park Department's Overhead Rates

The overhead rates for Department employees who charge to capital or facilities maintenance projects are calculated as a ratio of indirect to direct costs. For example, the overhead rate for Capital Division employees is a ratio of Department and division administrative costs to Capital Division engineer and architect salary costs, plus mandatory fringe benefits and paid time off. The overhead rate is then applied to the engineer's or architect's hourly wage rate when charged to a capital project. If the ratio of indirect costs to direct costs increases, the overhead rate increases.

The Recreation and Park Department's overhead rates have increased significantly over the past three years. Also, the FY 2005-2006 overhead rate greatly exceeds the industry standard.[1] Table 7.4 shows the increase in the Department's overhead rates from FY 2003-2004 to FY 2005-2006.

Table 7.4

Increase in the Department's Overhead Rates

FY 2003-2004 to FY 2005-2006

	FY 2003-2004	FY 2004-2005	FY 2005-2006
Capital Division	146.02%	198.04%	254.63%
Structural Maintenance Division	84.22%	93.99%	111.72%
Urban Forestry Division	82.94%	99.91%	113.79%
Natural Areas Division	83.91%	100.85%	115.72%
Other Work Order Services	140.19%	104.20%	118.79%

Source: Recreation and Park Department

Capital Division overhead rates increased by 56.59 percentage points in FY 2005-2006 compared to FY 2004-2005. Much of this increase was driven by the higher percentage of Capital Division salary costs that were charged as overhead compared to Capital Division salary and fringe benefit costs charged directly to projects, as shown in Table 7.5.

[1] According to the City's Engineering Services Task Force's report, *Consolidated Committee Findings and Recommendations* (April 4, 2005), the engineer overhead rate based on the predominate government method, as called for in the Federal Acquisition Regulation, is 171.1 percent compared to a FY 2004-2005 Citywide average of 194.75%. In FY 2005-2006, the Recreation and Park Department overhead rate for the Capital Division, which includes architects, landscape architects, and engineers, is 254.63 percent.

Table 7.5

Comparison of Capital Division Overhead Rates

FY 2004-2005 and FY 2005-2006

	FY 2004-2005	FY 2005-2006	Increase
Capital Division Mandatory Fringe Benefits and Paid Time Off	54.22%	51.29%	2.93%
Ratio of Capital Division Indirect Labor Costs to Direct Labor Costs	116.86%	84.31%	32.55%
Capital Division Indirect Non Labor Costs	33.19%	22.69%	10.50%
Department Overhead Costs	50.36%	39.75%	10.61%
	254.63%	198.04%	56.59%

Source: Recreation and Park Department

The Capital Division needs to charge more costs directly to capital projects rather than allocating costs through overhead. The high overhead rates can misallocate resources by charging overhead across all capital or facilities maintenance projects when in fact these costs should be charged directly to the capital projects that incur the costs. The significant increase in overhead costs from year to year can also create uncertainty in project budgets because project labor costs vary significantly over time. The Department should evaluate its methodology for determining indirect and direct costs and identify all costs that should be charged directly.

Annual Carry Forward Adjustments

The allocation of overhead costs to special revenue funds and Department programs in the annual budget is an estimate of overhead costs for the coming year. The overhead fund, which accounts for the Department's administrative overhead, recovers funds from the special revenue funds and Department programs to pay for the Department's overhead expenses. If the Department's actual overhead expenses exceed actual recoveries during the fiscal year, net recoveries will be negative, and if the Department's actual overhead expenses are less than actual recoveries, net recoveries will be positive.

To ensure that the special revenue funds and Department programs pay the actual rather than the estimated budgeted overhead costs, the cost allocation plan provides for adjustments to account for the difference between budgeted and actual overhead expenditures and recoveries each year. Under the plan, the overhead allocation to each fund or program in the annual budget should be adjusted upward or downward to account for the difference between actual expenditures and actual recoveries from two fiscal years prior. By adjusting these costs two fiscal years later to account for the difference between budgeted and actual overhead recoveries and expenditures, special revenue funds and Department programs can be charged correctly for actual overhead costs. The FY 2005-2006 cost allocation plan would have been the first year that the Recreation and Park Department adjusted the overhead allocation calculation to account for actual recoveries and expenditures two years prior, but the Department did not make the adjustment.

To ensure that the special revenue funds and Department programs are charged overhead costs correctly and comply with Federal, State, and local regulations where applicable, the Recreation and Park Department should review its methodology for calculating and applying the annual carry forward adjustments when calculating the overhead allocation in the annual budget.

Conclusions

The Recreation and Park Department faces significant capital costs for three revenue-generating programs, which include Monster Park Stadium, Camp Mather, and the Marina Yacht Harbor, without an identified revenue source to pay for the improvements. The Recreation and Park Department needs to analyze its options for renovating these three facilities and present status reports to the Board of Supervisors that include financial analysis and projections and available options.

The Department also should evaluate its procedures for setting overhead rates and adjusting overhead costs to account for differences in budgeted and actual costs two fiscal years' prior when developing the annual budget.

Recommendations

The Recreation and Park Department General Manager should:

7.1 Report to the Board of Supervisors prior to December 31, 2006, on the options for repair or replacement of Monster Park Stadium, the planning process, and the timelines.

7.2 Assess the Camp Mather facilities to identify the need for capital repairs or replacement, estimate costs, and set priorities and schedules for repair and replacement.

7.3 Report to the Board of Supervisors during FY 2006-2007 on Camp Mather's operating and capital costs, the impact on fees, and the options for maintaining Camp Mather.

7.4 Evaluate the West Harbor's fiscal feasibility, in the absence of renovating the East Harbor, by (a) defining the Marina Yacht Harbor's fixed costs and identifying the impact of allocating 100 percent of fixed costs to the West Harbor, and (b) projecting revenues based on alternative berthing rate scenarios.

7.5 Provide a status report to the Board of Supervisors on (a) the status of the California Department of Boating and Waterways loan for the East Harbor renovation, (b) the status of the City's legal dispute with the Pacific Gas and Electric Company regarding responsibility and costs for the contaminated East Harbor soil, and (c) alternative revenue and cost scenarios for the Marina Yacht Harbor's West and East Harbors during the FY 2006-2007 budget review.

7.6 Direct the Director of Administration and Finance and the Director of the Capital Program to evaluate the Department's methodology for determining indirect and direct costs when setting overhead rates and identify all costs that should be charged directly.

7.7 Direct the Director of Administration and Finance to review the Department's methodology for calculating and applying the annual carry forward adjustments when calculating the overhead allocation in the annual budget, to ensure that the special revenue funds and Department programs are charged overhead costs correctly and comply with Federal, State, and local regulations where applicable.

Costs and Benefits

The Budget Analyst's recommendations are intended to bring the discussion of the Department's capital costs and funding sources for Monster Park Stadium, the Marina Yacht Harbor, and Camp Mather before the Board of Supervisors, including a discussion of whether the Recreation and Park Department or a private entity could better bear the cost and responsibility of renovating and operating the facilities.

Implementation of the Budget Analyst's recommendations to better manage the cost allocation plan would align the Department's overhead costs more appropriately with the Department's funds and programs.