

Introduction

On May 3, 2005, the Board of Supervisors adopted a motion directing the Budget Analyst to perform a management audit of the Recreation and Park Department (Motion No. M05-67).

Purpose and Scope

The purpose of this management audit is 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.

Audit Methodology

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. After careful consideration of the additional information provided after submission of the draft report and at the exit conference, 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 report, which is appended to this report.

Overview of the Recreation and Park Department

Land Holdings and Physical Facilities

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 Recreation and Park 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

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.

carrousel, 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, and is responsible for a number of undeveloped land parcels.

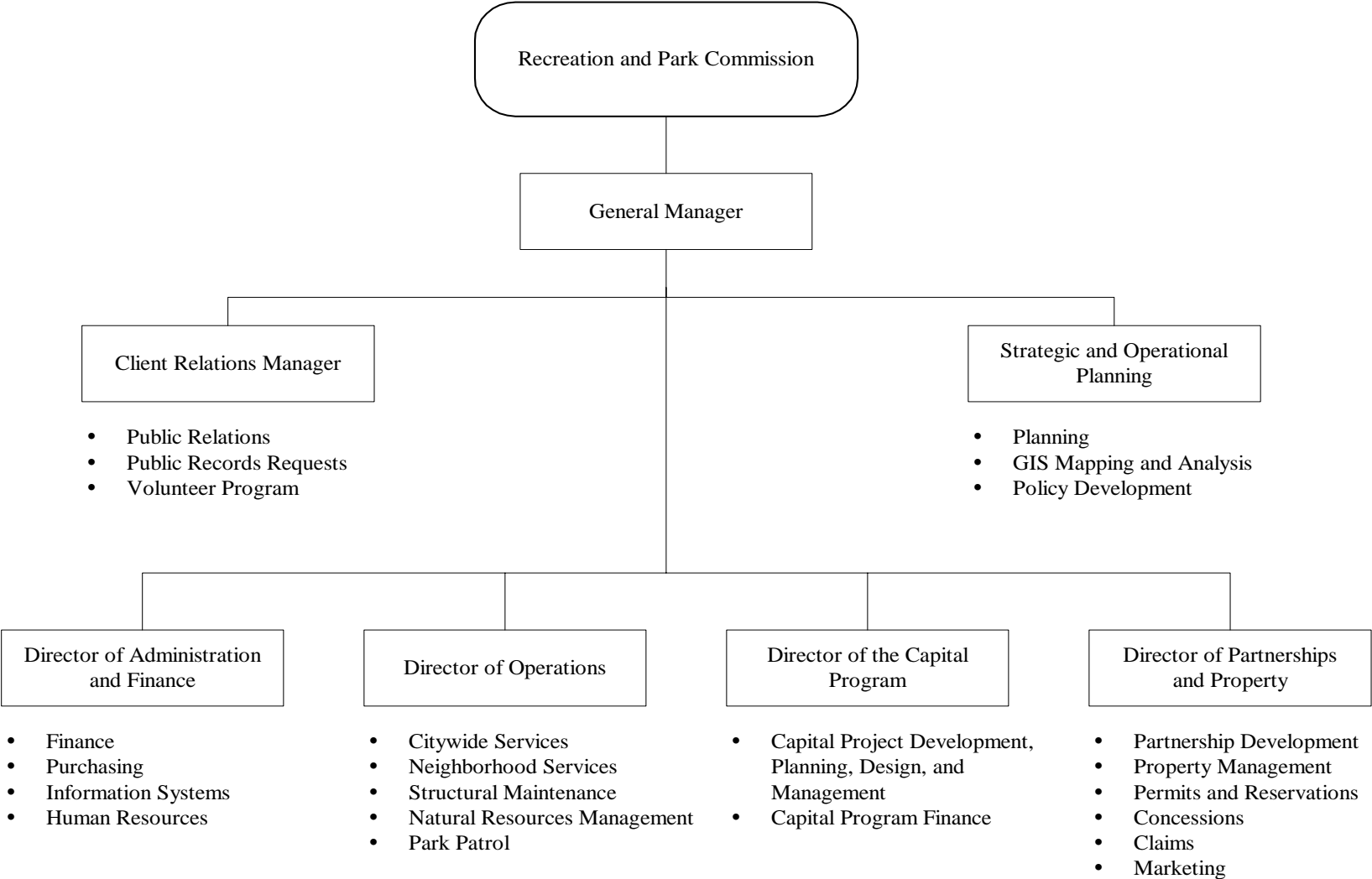
The Recreation and Park Department operates a myriad of programs including: sport, education, and recreation activities; childcare; after school programs; holiday camps; youth employment initiatives; and volunteer programs. Some programs housed at Recreation and Park Department facilities are operated by other agencies.

Organizational Structure

The Recreation and Park Department is currently being reorganized into the following functional divisions, as shown in Exhibit 1 below:

- **Administration and Finance.** This encompasses the Recreation and Park Department's finance, purchasing, information systems, and human resources functions.
- **Operations.** This encompasses the Recreation and Park Department's citywide and neighborhood services, as well as the Recreation and Park Department's structural maintenance, natural resources management, and park patrol functions. Under the new organizational structure, the current four Neighborhood Services quadrants will be divided into eight districts, each one under a Neighborhood Services Director to spread the managerial workload.
- **Capital Program.** This encompasses the Recreation and Park Department's capital project development, planning, design, and management functions, and the Recreation and Park Department's Capital Program finance function.
- **Partnerships and Property.** This encompasses the Recreation and Park Department's partnership development, permits and reservations, concessions, claims, and marketing functions. An appointment into the new Director of Partnerships and Property position is expected in the Spring of 2006.

Exhibit I Recreation and Park Department Organization Chart



Key Legislation

The Open Space Fund

San Francisco voters approved Proposition C on March 7, 2000 which:

- Extends the Open Space Program's property tax funding sources through FY 2030-2031 thereby ensuring a dedicated revenue stream from property tax in the amount of \$0.025 for each \$100 in assessed valuation to help pay for park acquisition, renovation, and maintenance, and recreation and park programs. Charter Section 16.107 specifically states that "Revenues obtained thereby shall be in addition to, and not in place of, any sums normally budgeted for the Department and, together with interest, shall be deposited into the Park, Recreation and Open Space Fund."
- Requires that (a) net increases in Department-generated revenues be dedicated to capital and/or facility maintenance improvements to park and recreational facilities, and (b) new revenues from outside sources be used only for enhancement of park and recreation programs including capital and/or facility maintenance improvements. Departmental savings are to be retained by the Recreation and Park Department for one-time expenditures. Therefore, funds which might otherwise be subsumed by the General Fund must stay in the recreation and park system.
- Requires the Recreation and Park Department to produce annually updated five-year strategic, capital, and operational plans. The Open Space Fund budget must include a minimum 5 percent allocation for property acquisitions, a 3 percent allocation for a reserve, and continuation of the allocations for after-school recreation programs, urban forestry, community gardens, volunteer programs, and the natural areas management program at FY 1999-2000 levels, unless such programs are funded elsewhere.
- Requires that capital projects must be completed within three years of the budget allocation for design and construction, except when the Recreation and Park Commission waives the three year requirement by a two-thirds vote.
- Establishes the Park, Recreation and Open Space Advisory Committee (PROSAC) to review and comment on the development and implementation of the capital, operations, and strategic plans, and the Recreation and Park Department's budget.
- Permits the Board of Supervisors to authorize the issuance of revenue bonds for capital improvements, secured by the Open Space Fund, and allowed the Recreation and Park Commission to manage all aspects of those improvements.
- Authorizes the Recreation and Park Department to manage its own capital projects, rather than relying exclusively on the Department of Public Works.

Park Maintenance Standards

San Francisco voters approved Proposition C in November 2003, which established the Controller as the City Services Auditor and mandated the City Services Auditor to review standards for park maintenance in consultation with the Recreation and Park Department and perform an annual Clean Parks audit to track whether these standards are met.

Funding

Table 1 below provides summary financial information from the FY 2005-2006 *Consolidated Budget and Annual Appropriation Ordinance*. Table 1 shows that approximately 62.7 percent of the Recreation and Park Department's FY 2005-2006 budget will come from the General Fund, with a further approximately 23.8 percent from the Open Space Fund, and approximately 13.5 percent from various other funds.

Table 1
Summary Financial Information, FY 2005-2006

Recreation and Park Department Annual Appropriation, FY 2005-2006	
<u>Total Sources:</u>	
General Fund	\$73,091,051
Open Space Fund	27,746,427
Various Funds	<u>15,792,542</u>
Total Sources:	\$116,630,020
<u>Total Expenditures:</u>	
Administration	\$17,977,915
Capital Projects	22,536,605
Children's Baseline	13,771,784
Children's Services - Non-Children's Fund	343,000
Citywide Facilities	21,285,600
Citywide Services	13,519,503
Development and Planning	11,000
Golden Gate Park	12,323,834
Neighborhood Services	23,720,349
Structural Maintenance	11,985,171
Zoo Operations	389,198
Departmental Transfer Adjustment	<u>(21,233,939)</u>
Total Expenditures:	\$116,630,020

Source: City and County of San Francisco, *Consolidated Budget and Annual Appropriation Ordinance, Fiscal Year Ending June 30, 2006*.

Key Issues Facing the Recreation and Park Department

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 land holdings.

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 out of 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.

- 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, and Neighborhood and Citywide Services Managers.

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, and faces a Capital Program funding shortfall of \$589,125,057. While the Recreation and Park Department is primarily responsible for the provision of affordable recreation and 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 PGA Tour, Inc. at Harding and Fleming Golf Courses. In order to fund the Capital Program Phases I - III fully, the Recreation and Park Department will need to consider the full range of available funding options, including working more closely with grant agencies, philanthropic donors, other public sector agencies which have overlapping needs and facilities, and the business sector. The Recreation and Park Department 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.

Recreation and Park Department Accomplishments

The management audit team invited the Recreation and Park Department to submit written statements on what the Recreation and Park Department identifies as recent accomplishments. Key accomplishments provided by the Recreation and Park Department included:

- Hiring of qualified recreation and park professionals into the upper management positions of Director of Operations, Neighborhood Services Superintendent, and Citywide Services Superintendent.
- Reorganizing the Department's operations from four Citywide Quadrants into eight Neighborhood Services Districts, each with its own Neighborhood Services Manager, for increased management oversight of day-to-day park maintenance and recreation

program delivery. This reorganization's goal is to increase accountability and provide more responsive customer service.

- Partnering with the Department of Children, Youth, and Their Families to improve programming at five pilot recreation centers and clubhouses.
- Implementing the Proposition C park maintenance standards developed by the Controller's Office by (a) posting gardener and custodian work schedules on the Department's website, (b) developing an update process for schedule accuracy, and (c) implementing a quarterly park inspection process to fulfill Proposition C requirements.
- Establishing an interdisciplinary Irrigation Strike Team to assess the Department's 11 most problematic irrigation systems and to recommend solutions.
- Hiring 14 new gardeners in FY 2005-2006 and training them by means of a new two-week "team building" curriculum. The Department intends to hire an additional five new gardeners in FY 2005-2006, for a total of 19 new gardeners.
- Receiving funding and approval to purchase an on-line reservation system which will assist in (a) enhancing public access to the Department's programming, and (b) eliminating cash handling throughout the recreation and park system.
- Drafting the Department's first open space acquisition policy for the evaluation and prioritization of property acquisition. The draft policy will be presented to the Recreation and Park Commission in January of 2006.
- Updating planning maps to determine areas with high-unmet recreation and park needs.
- Conducting the second annual Park Planning Fair in November of 2005 to provide the public with an opportunity to talk to Department staff about park issues.
- Completing 14 neighborhood park capital improvement projects and four Golden Gate Park capital improvement projects, and overseeing the construction or design/bid phases of 14 neighborhood park capital improvement projects and five Golden Gate Park capital improvement projects.
- Receiving \$3,452,163 in Federal and State grants for three projects (Moscone Recreation Center, \$2,067,176; Argonne Playground and Clubhouse, \$664,428; and Potrero Del Sol Park, \$720,559).

Acknowledgements

We would like to thank the management and staff of the Recreation and Park Department for their cooperation during this management audit. We hope the findings contained in this report provide useful tools for the General Manager and his staff as they work to improve the operations of the Recreation and Park Department.