



CHARTER AMENDMENT
LEGISLATIVE ANALYST SUMMARY

TO: HONORABLE MEMBERS OF THE BOARD OF SUPERVISORS and RULES COMMITTEE

FROM: GLYNN WASHINGTON, LEGISLATIVE ANALYST

HEARING DATE: JUNE 24, 1999

SUBJECT: **REVISED PARK AND OPEN SPACE FUND (file 99-0984)**

SUMMARY OF PROPOSED AMENDMENT

The proposed amendment repeals current Charter Section 16.107, which creates a Park and Open Space Fund, and adopts a new Section 16.107 creating a Park, Recreation Open Space Fund. The proposed amendment:

- 1) Sets a baseline level of funding for the Recreation and Park Department's annual budget.
- 2) Provides \$15 million from the General Fund annually for the Park and Recreation Department in addition to "base level" funding.
- 3) Approves and requires issuance of \$50 million in revenue bonds for acquisition and improvement of real properties over 3 — 5 years.
- 4) Authorizes the Board of Supervisors to issue revenue bonds, in addition to the initial mandated \$50 million of revenue bonds for acquisition and improvement of real properties.

CURRENT LAW

Currently, there is no system of dedicated funding for the Recreation and Park Department ("Department"). Department funds come from appropriations from General Fund, an Open Space allocation of two and one-half cents (\$0.0025) of each \$100 of assessed property values, and various usage fees. There is no provision for the issuance of revenue bonds, and the entire measure expires (including the property tax allocation) in 2004.

ISSUE ANALYSIS

For a period of several years, Department needs have been left underfunded. Capital improvements were neglected, allowing facilities to deteriorate. Joel Robinson, Interim Director of the Department, estimates that some \$350 million in additional funds are needed over a 20-year period to refurbish existing Department facilities. Currently, the Department has an annual budget of approximately \$80 million per year, dedicated to operating existing programs. Approximately \$34 million comes from the General Fund, the rest comes from

property taxes and assessed fees. No funding scheme currently exists to deal with the potential shortfall in facilities refurbishment.

The proposed amendment seeks to rectify the history of funding neglect by establishing a “dedicated budget” for the Recreation and Parks Department. The proposed amendment would make appropriations for the Department automatic, setting a base level of funding (FY 1998-99 or 1999-2000, whichever is higher). The measure grants the Department an additional \$15 million. In addition, the proposed amendment authorizes the Board of Supervisors (“Board”) to issue \$50 million in revenue bonds for capital improvement. Upon passage of the proposed amendment the Board may issue additional revenue bonds by a majority vote.

The following table illustrates the differences between the provisions in the current Open Space Charter and the proposed Charter Amendment:

**COMPARISON OF CURRENT OPEN SPACE CHARTER
AMENDMENT TO PROPOSED CHARTER AMENDMENT**

Current Open Space Charter (terminates 2004)	Proposed Open Space Charter Amendment
No Bond Provision.	Issues \$50 million revenue bond.
Does not set Department funding levels.	Sets base amount of Park and Recreation Department funding to at least 1998-99 or 1999-2000 levels (whichever is higher).
Does not contemplate bond issues.	Provides authority for the Board of Supervisors to issue additional revenue bonds.
Board of Supervisors may reject any new or increased fee changes.	Board of Supervisors may reject fee changes - but must automatically appropriate funds equal to the amount of the proposed fee change.
Does not provide for additional City and County appropriations.	Provides for \$15 million per year in additional funding (added to previously established “base amount” funding.)

Fiscal Restrictions on the Board of Supervisors

The proposed amendment limits the Board of Supervisors ability to allocate funds in three different ways:

- It binds the Board to allocate no less than a preset “base amount” for the Department, which shall be adjusted positively or negatively each year by the controller.
- The Board of Supervisors must provide at least a \$15 million annual appropriation in addition to base amount funding. This \$15 million may only be suspended during “extraordinary economic conditions” (a depression era term indicating times of enormous fiscal hardship).
- If the Board of Supervisors rejects proposed changes in fees from the Park Department, *the Board must automatically appropriate funds from another source to match revenue from the proposed fee.*

Base Amount Funding

Department officers indicate that less-than-optimal funding levels have been the norm for many years. A history of uneven funding allocation has increased the difficulty of project implementation. The proposed amendment assures a “base amount” of Department funding by legislating that the Board of Supervisors may allocate no less than 1998-99 or 1999-2000 funding levels (whichever is greater) as adjusted by the Controller to account for changed fiscal situations. The Board is free to allocate additional funding to the Department. As written, the proposed amendment secures the Department’s funding stream by not allowing the Board to spend less than the base amount, as adjusted by the Controller.

Annual Appropriation

In addition to the “base amount” of funding, the proposed Amendment binds the Board to add an additional \$15 million per year to the Department’s budget. This annual appropriation can only be suspended, “when the mayor declares and the Board of Supervisors concurs by a two thirds vote, that extraordinary economic conditions . . . exist.” The City Attorney’s Office advises that the term, “extraordinary economic conditions” is a depression era term indicating that the appropriation could be suspended only under the most dire circumstances.

Matching Proposed Fees

In the current system, all fees generated through the Department go to the General Fund. From the General Fund, allocations are made back to the Department. The Department may propose changes in fees, but increased revenue does not automatically flow back to the Department. The proposed amendment still allows the Board to reject Department fee increases, however, the Board must automatically appropriate funds equal to the fee increase.

GENERAL POLICY CONCERNS

While it could cost some \$350 million over 20 years in order to refurbish existing facilities, fixing old facilities may prove imprudent. The proposed amendment establishes a commission to make recommendations as to what projects should be adopted. Properly implemented, this could allow the Department with the ability to plan and allocate resources to effectively deal with constituent needs.

Adoption of the proposed amendment means that the Board cedes the power to adjust the Department’s budget — in order to assure stabilized Department funding. According to John Madden, the Assistant Controller, the proposed amendment is designed to insulate the Department from changes in the City’s fortune or priorities. Future analysis may indicate that more resources should be directed towards the operational budget, than capital budget.

Currently the Department has very limited control in directed fee income, or adjusting fee schedules. There is no incentive to maximize alternative revenue-producing plans. Private sponsorships, adjusted fees, and other potential resources remain unexploited. The proposed amendment grants the Department control over fees generated through the Recreation and Parks system.

The proposed amendment allows the Department to raise funds by simply proposing a fee increase. If the Board rejects the fee increase, the Board must find alternative funding to match the expected dollars of the increase. According to Joel Robinson, Interim Director of the Department, this aspect of the proposal potentially puts the Department’s concerns ahead of the City’s. An alternative to the wording of this proposal could require a super-majority Board vote in order to reject Department fee changes.

Labor

Labor groups have indicated concern over a provision in the proposed amendment allowing the Department to undertake construction and design with the following alternatives:

1. it's own forces,
2. employees of other City and County Departments,
3. subject to the provisions of the Charter, outside forces.

Such a provision potentially allows the Department to duplicate Public Works function. According to David Novogrodsky, Executive Director of Local 21 AFL-CIO, the Department of Public Works currently employs ample staff dedicated to recreation and park projects. He argues that competitive bidding already exists, and that separate public works divisions are inherently wasteful as they fail to take advantage of “economies of scale”.

Deborah Learner, of the Department, expressed difficulty in timely project completion due to lack of staff devoted to recreation and park projects. This concern drove the Department's call for a dedicated workforce in order to provide project options that don't exist with a complete reliance on the Public Works Department.

Final language should delineate a competitive system, allowing the Department the necessary flexibility to move projects forward.

General Plan

The proposed amendment establishes a requirement for the Recreation and Park and Planning Commissions to adopt a City-wide plan for acquisition of real property and open space. Stephen Shotland of the Planning Department suggests that this plan be more explicitly incorporated into the Recreation and Open Space Element of the City's General Plan to coordinate the planning and approval process. Isabel Wade, of the Neighborhood Parks Council, observes that language in the proposed amendment specifically calls for conformity with the City's General Plan.

CONCLUSION

The \$50 million revenue bond issue is a necessary down payment on a long term plan of capital improvement. A chorus of consensus by interested groups agrees that the Department needs a stable funding source for capital improvement. Before more facilities are closed, the few remaining natural areas deteriorate, and open space for new residential communities is not procured — resources must be devoted to the problem. There should be careful consideration given, however, before setting any single department apart from the city's overall budgetary process. Dedicated funding measures assure a Department's funding stream, at the price of fiscal flexibility for policy makers.

The Department has indicated frustration with the necessity of appropriating insufficient funds to a variety of projects, instead of focusing resources and actually finishing projects. The proposed amendment's outline for increased Department flexibility in fund management, may provide greater efficiency in project management.

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