

WORKSESSION November 12, 2013

To: Honorable Mayor and Members of the City Council

From: Christine Daniel, City Manager

Submitted by: Scott Ferris, Director, Parks Recreation & Waterfront

Subject: Parks, Recreation and Waterfront Department Budget and Capital

Improvement Program

### **INTRODUCTION**

This report provides Council with an update on the status of the Parks Tax Fund and strategies to manage the fund's structural deficit, as well as an update on the Parks Recreation and Waterfront (PRW) Department Capital Improvement Program.

In a March 29, 2011 report to Council, the Department presented information regarding the status of unfunded capital improvement needs which totaled \$78 million for both facilities (\$30 million) and infrastructure projects (\$48 million). Supplemental Agenda Material - Presentation (Parks, Recreation and Waterfront Department) (PDF) The report provided an overview of the condition of and repair and replacement needs of City play areas, recreation centers, historic resources, hillside parks, lighting and irrigation systems, and camps.

At the March 5, 2013 Worksession, Council was provided with an overview of the issues, opportunities and challenges in the Department's operational, programmatic and capital budget for FY 2014 and FY 2015. 1. Parks, Recreation and Waterfront Department Budget Presentation Supplemental Agenda Material - Presentation (PDF) That presentation outlined the strategies for meeting a 2% target reduction in General Fund, as well as strategies for addressing the structural deficits in three key special funds that support core programs and services: the Camps Fund, the Marina Fund and the Parks Tax Fund. The report detailed the growing annual structural deficit in the Parks Tax Fund of up to \$850,000 and the \$33 million in unfunded capital and ongoing park major maintenance needs over the next five years. This report will focus on the current status of the Parks Tax Fund and will also provide updated information on the Department's capital program.

#### **Parks Tax Fund Status**

The current version of the City's Parks Tax was approved by voters in 1997, and is a special parcel tax that provides funding for the direct cost of acquisition and maintenance of improvements related to parks and landscaping. The tax is based on parcel square footage and land use. Each year, the Parks Tax rate is subject to adjustment by the amount of the April Consumer Price Index (CPI) for the San Francisco Bay Area.

The Parks Tax Fund supports a number of projects and programs throughout the City, as follows:

- maintaining the landscaping and facilities in the City's 52 parks, as well as 124 street medians, 263 potable water and irrigation systems;
- maintaining 15 park buildings, 19 public restrooms, 15 sports fields, 4 recreation centers and 2 pools; and
- managing the City's urban forest of 32,000 trees;

In recent years, the annual revenue increases from property assessments tied to CPI have been insufficient to cover the cost of operations and deferred maintenance of park capital facilities. As a result, the Parks Tax Fund has been drawing down reserves in order to cover annual operating costs. In March 2013, Council was advised of a projected annual structural deficit in this fund of approximately \$850,000 for FY 2014 and subsequent years if balancing measures for FY 2014 and FY 2015 were not enacted. Balancing measures were implemented for FY 2014 and FY 2015, and the structural deficit was reduced as set forth in the table below.

#### Interim Balancing Strategies

To address the large annual deficit in the Parks Tax Fund in the interim, the Department decreased spending in FY13 by \$350,000 by holding certain operational positions vacant for over a year, and reducing capital expenditures. The Department decreased spending in the FY 2014 and FY 2015 budget by \$366,000 each year by reorganizing the Landscape and Building Maintenance units of the Parks Division and the elimination of three FTE landscape maintenance positions. These one-time strategies, however, are not a feasible solution over the long term.

The table below shows the current status and projected balances for the Parks Tax Fund over the next five years. This information is updated from the March 2013 report to show FY 2013 year-end data.

Parks Tax Fund	FY 12 Actuals	FY 13 Actuals	FY 14 Projected	FY 15 Projected	FY 16 Projected	FY 17 Projected
(figures in millions)						
Beginning Balance	2.40	1.78	1.76	1.18	0.78	0.29
Revenues	9.25	9.54	9.73	9.95	10.03	10.13
Expenditures	9.87	9.56	10.31	10.35	10.52	10.72
Operating Income / (Loss)	(0.62)	(0.02)	(0.58)	(0.40)	(0.49)	(0.59)
Ending Balance	1.78	1.76	1.18	0.78	0.29	(0.30)
Reserve	19%	18%	12%	8%	3%	-3%

Current revenues are not keeping pace with increasing costs of operations, and deferring maintenance work to future years makes it more expensive. As a result, the Parks Tax Fund will continue to operate in deficit and draw down annually on reserves. The Projected FY 2014 budget relies on a draw-down of fund reserves of just over \$580,000, while the FY 2015 budget relies on a reserve draw down of just over \$400,000. The fund reserve is projected to be \$300,000 in the negative by the end of FY 2017. This projection does not reflect the implications of potential increases in PERS rates beginning in FY 2016, and assumes a very limited allocation of the General Fund to ongoing capital repairs and replacement of existing facilities. Both of these issues will increase the structural deficit of the Park Tax beyond the \$400,000 to \$590,000 that is projected in the table above.

# **Update on the Capital Improvement and Major Maintenance Programs**

## Currently funded projects

In addition to regular, on-going routine maintenance, the Parks Tax provides funding for capital improvement and major maintenance projects. The Department's **capital improvement program** includes projects such as strategic planning, grants management, environmental review, project design, and construction management for the parks, community centers, pools, waterfront area, and resident camps. The Department's **major maintenance program** focuses on projects that ensure the safety and accessibility of existing park facilities, and include the following: repair and replacement of deteriorated play equipment; repair and replacement of park site furnishings; improvements to existing playing fields, water and irrigation systems, roofs, windows, doors, siding, bridges, stairs; and other basic recreation infrastructure.

The Department's capital and major maintenance programs have historically been underfunded. The total annual funding in FY 2014 and FY 2015 allocated for these projects (exclusive of grants and loans) is approximately \$1.2 million per year, coming primarily from the Parks Tax Fund (\$350,000), the Marina Fund (\$250,000), the Camps Fund (\$200,000), and a portion from the City's General Fund (\$400,000).

In recent years, the Department has been able to supplement and leverage these annual allocations with successful grant applications and through the use of Measure WW funding. In 2010, Measure WW funding of \$4.876 million was allocated to the City for a series of capital projects and infrastructure improvements in our parks.

The table below describes the funded capital improvement projects scheduled over the next two years. (D denotes projects in design and C denotes projects under construction.)

,	Status		
Funded Capital Projects Currently Underway	FY 14	FY 15	
Marina Bldgs & Infrastructure		1	
Bay Trail Segment One & Two	С		
Piling replacements (O Dock & South Cove)	C C		
Skates Sidewalk ADA Renovation	С		
Fishing Pier ADA Renovation	D	С	
Float Replacement	D	C	
South Sailing Cove Restroom	D	С	
Pool Bldgs & Equipment	T	1	
No funding			
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Parks Bldgs, Equip. & Infrastructure		1	
Terrace View Phase I	C		
Willard Tennis Courts	С	<u> </u>	
Grove Basketball & Tennis Courts	D	С	
Ohlone Dog Park	D	С	
Virginia McGee Totland	D	С	
Live Oak Basketball Courts	D	C C	
Ohlone Park Basketball Courts	D	С	
James Kenney Park Renovation		D	
John Hinkel Park Renovation	D	D	
City Wide Picnic Areas	С		
Camps	T	1	
Echo Lake Pool	С		
Tuolumne Camp Demolition & Cleanup	С		
Echo Lake Dining Hall	D	С	
Echo Lake Lodge Deck	D	С	

Major maintenance projects for fiscal years 2014 and 2015 include but are not limited to: the Live Oak Park pedestrian bridge, King Park stairs, ADA access ramps at multiple buildings, James Kenney Park retaining wall, reserve-able picnic area improvements, Marina Bait Shop storefront replacement, and Aquatic Park roof repairs.

## Insufficient Parks Tax Funding

The following table shows the projection of capital improvement and major maintenance needs for Department facilities over the next five years by program, as follows: the available funding, the projected need for expenditures, and the gap between the two (known as the unfunded liability which totals a projected \$30.04 million\*).

Program Type	FY 14	FY 15	FY 16	FY 17	FY 18	Totals
(figures in millions)						
Marina Bldgs & Infrastructure						
Available Funding	0.25	0.25	0.25	0.25	0.25	1.25
Projected Expenditures	1.06	3.58	0.75	4.45	3.38	13.22
Unfunded Liability	(0.81)	(3.33)	(0.50)	(4.20)	(3.13)	(11.97)
Pool Bldgs & Equipment						
Available Funding	0.00	0.00	0.00	0.00	0.00	0.00
Projected Expenditures	0.12	0.08	0.25	1.85	1.85	4.15
Unfunded Liability	(0.12)	(80.0)	(0.25)	(1.85)	(1.85)	(4.15)
Parks Bldgs, Equip. & Infrastructure						
Available Funding	1.94	2.11	1.50	2.10	2.00	9.65
Projected Expenditures	3.70	2.91	5.92	6.00	6.00	24.52
Unfunded Liability	(1.76)	(0.80)	(4.42)	(3.90)	(4.00)	(14.87)
Camps Bldgs & Infrastructure						
Available Funding	0.20	0.20	0.20	0.20	0.20	1.00
Projected Expenditures	0.39	0.09	0.05	0.25	0.27	1.05
Unfunded Liability	(0.19)	0.11	0.15	(0.05)	(0.07)	(0.05)
Total Unfunded Liability	(2.88)	(4.10)	(5.02)	(10.00)	(9.05)	(31.04)

<u>Note</u>: Available funding shown above includes discretionary capital funds, Parks Tax funds, Measure WW funds, Marina funds, and Camps funds. Figures above do not include any capital costs for the Berkeley Tuolumne Camp, Willard Pool or the Santa Fe Right of Way.

## <u>Significant Consequences Resulting from an Underfunded Capital and Major</u> Maintenance Programs

Despite the substantial list of capital and major maintenance projects that are funded over the next five years at a cost of \$11 million, over \$30 million in capital and major maintenance projects remains unfunded. Almost half of this amount is for Parks

<sup>\*</sup>This projection is reduced from the \$33 million that was depicted in the March 5, 2013 report primarily because the Berkeley Tuolumne Camp pre-fire capital costs are not included. Also not included are the cost estimates for the post-fire replacement of the Camp, since that information is not yet available.

buildings, equipment and infrastructure. Given the current structural deficit in the Parks Tax fund, it is unlikely these projects can be undertaken absent new, additional revenue.

The following is a partial list of capital and major maintenance work that should happen in the next two years in order to meet current safety and accessibility standards, but is currently unfunded:

- Citywide basketball and tennis court renovations
- Citywide pathway and accessibility improvements
- Citywide playground surface and playstructure upgrades
- Electrical system upgrades for San Pablo and Live Oak Parks
- Irrigation system replacements at Grove Park and San Pablo Park
- James Kenney Recreation Center siding replacement
- Safety lighting improvements at Aquatic Park
- West Campus Pool water heater replacement
- Virginia McGee sewer line
- Shattuck irrigation line replacement (north and south)
- Backstop replacement at Grove Park, Codornices Park, and Ohlone Park
- Fencing replacement throughout the City

It is much more cost-effective to perform ongoing maintenance to prolong the life of a park facility than to completely replace facilities. The consequences of not properly maintaining our facilities can result in an increase in unsafe park facilities (e.g., cracked and broken concrete and asphalt courts and pathways), a reduction in park facilities (e.g., broken play equipment that is removed and not replaced), and a more frequent need for costly capital replacements instead of less expensive on-going maintenance.

## Current examples of this are the following:

- More frequent painting and sealing of the wooden siding at James Kenney Community Center would have prolonged its life for another decade, whereas now the siding and underlying rotted studs must be replaced as a capital project.
- Delayed patching and replacement of the roof on the Bird Rescue building in Aquatic Park caused water damage to the support trusses and made the roof replacement twice as expensive as it should have been.
- The lack of ongoing patching and slurry sealing of our asphalt surfaces on tennis courts such as Willard and Grove and basketball courts at Ohlone and Live Oak have led to the need for very expensive capital replacement much earlier than should be required.
- The many years of inadequate funding for maintenance of the John Hinkel Clubhouse resulting in the building's deteriorated condition means that the project will require either a major rehabilitation, reconstruction / replacement, or demolition.

## **Next Steps**

The current analysis of the City's parks capital and major maintenance needs was based on cost data that is now over two years old. In order to update these costs for better capital improvement project planning, the Parks Recreation & Waterfront Department and the Public Works Department will complete a detailed assessment of the physical conditions of selected parks and waterfront facilities throughout the City by the end of December 2013 and will report on the findings of that assessment in early 2014.

The unfunded liability for the City's parks facilities is currently projected to be approximately \$30 million over the next five years. Of that, approximately \$14 million is for parks only. Unfortunately, the predominant funding source for parks is the City's Parks Tax, which has a rapidly decreasing balance. Increasing operating costs will likely continue to outstrip Parks Tax revenues for the foreseeable future. Without an increase in Parks Tax revenues, funding for operations will have to decrease in order to prevent the fund from going into full deficit in FY 2017. Unless further strategies can be implemented to slow the draw down on the reserve and increase revenue, the Parks Tax fund balance will be fully depleted in FY2017.

### **CONTACT PERSON**

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### Website Links:

- Supplemental Agenda Material Presentation (Parks, Recreation and Waterfront Department) (PDF): <a href="http://www.ci.berkeley.ca.us/uploadedFiles/Clerk/Level\_3-city\_Council/2011/03Mar/Capital%20Improvement%20Plan%20-%20PRW.pdf">http://www.ci.berkeley.ca.us/uploadedFiles/Clerk/Level\_3-City\_Council/2011/03Mar/Capital%20Improvement%20Plan%20-%20PRW.pdf</a>
- 2. 1. Parks, Recreation and Waterfront Department Budget Presentation: <a href="http://www.ci.berkeley.ca.us/Clerk/City\_Council/2013/03Mar/Documents/2013-03-05\_Worksession\_Item\_01\_Parks,\_Recreation.aspx">http://www.ci.berkeley.ca.us/Clerk/City\_Council/2013/03Mar/Documents/2013-03-05\_Worksession\_Item\_01\_Parks,\_Recreation.aspx</a>
- 3. Supplemental Agenda Material Presentation (PDF): <a href="http://www.ci.berkeley.ca.us/Clerk/City\_Council/2013/03Mar/Documents/2013-03-05\_Worksession\_Item\_01\_Parks,\_Recreation\_-\_Pres.aspx">http://www.ci.berkeley.ca.us/Clerk/City\_Council/2013/03Mar/Documents/2013-03-05\_Worksession\_Item\_01\_Parks,\_Recreation\_-\_Pres.aspx</a>