



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Ed Shikada
Albert Balagso

SUBJECT: SEE BELOW

DATE: May 23, 2006

Approved

Date

5/25/06

SUBJECT: FUNDING AGREEMENT WITH THE BOYS AND GIRLS CLUB OF SILICON VALLEY

RECOMMENDATION

Authorize the City Manager to negotiate and return to the City Council for approval of an agreement with the Boys and Girls Club (BGC) of Silicon Valley that consists of the following elements:

- (a) Acquire BGC's sports field property adjacent to the Smythe Clubhouse and enter into a joint use agreement with BGC, in an amount up to \$1 million;
- (b) Work with BGC and third party non-profit organizations to develop an operations and fund development workplan to assist BGC in establishing a stable financial condition; and
- (c) BGC to assume operation of the afterschool and summer programming at Empire Gardens Elementary School while the City evaluates options for future community serving uses of the City's property at 110 E. Jackson Street.

OUTCOME

Execution of the recommended purchase agreement would support the long term public availability of needed youth services and sports facilities.

BACKGROUND

On March 7, 2006, the City Council discussed and provided direction to staff regarding options for assisting the Boys and Girls Club of Silicon Valley with stabilizing its operations and financial position. The City Council approved not proceeding with BGC's proposed land swap involving City property at 110 E. Jackson Street and the BGC's Smythe Clubhouse property at 2293 Cunningham Avenue at this time, and authorized staff to work with BGC to develop a plan to stabilize its operations for report back to the City Council.

Following City Council discussion, the City Manager met with the BGC Executive Director to review options and next steps. Options discussed are presented in the Alternatives section of this report. At the conclusion of this discussion, it was agreed that City support on the order of \$400,000 – \$800,000 would be evaluated for feasibility from both BGC and City perspectives.

Staff requested that BGC provide a fund development and business strategy that would demonstrate that City funding at this level would enable BGC to establish a stable and sustainable operation within the next several years. Staff also requested that BGC provide a zip code breakdown of youth served as a measure of BGC's citywide impact.

ANALYSIS

Staff evaluated various options for a transaction with BGC, and concluded that acquisition of BGC's recently completed soccer field at the Smythe Clubhouse could provide a significant public benefit. Public ownership of this facility could provide the City its first artificial turf soccer field, which could help alleviate the current lack of soccer facilities in the area. Staff has reviewed a recent appraisal of the Smythe Clubhouse property, and believes that the value of the sports field would meet or exceed \$1 million, even taking into account existing encumbrances upon the property.

BGC has indicated that this funding would allow the organization to eliminate its longstanding debt, as well as establish cash reserves needed to cover operating expenses and maintain separation from restricted grant funds.

The City and the San Jose Redevelopment Agency have allocated significant funds to BGC. These funds include the following grants:

- CDBG - \$750,000 and District 8 capital funds - \$125,000 for field improvements
- 2005-06 HNVF - \$37,118
- Smart Moves - \$23,919
- San Jose Afterschool - \$112,100
- SJRA - \$500,000 for exterior and interior improvements
- 2006-07 pending funds of \$57,664 from HNVF.

Conditions associated with the capital improvement-related grants above have limited some of the available options for purchasing partial interests in the Smythe Clubhouse property. In particular, the existing CDBG grant requires that for the next five years, users of the field should be from the intended benefit area bounded by Highway 101, Tully Road, Capital Expressway and Story Road.

In order to document its plan to stabilize finances, BGC provided the attached "2006 BGCSV Business Development Plan – Major Strategies" (Attachment A). While this document outlines BGC's major fundraising and organizational development activities, additional work will be required before the plan can serve as an implementable and measurable workplan toward financial stability. Desirable elements should include:

- Establishing (doable) fundraising targets
- Creating an operations plan that demonstrates a balanced budget
- Linking fundraising activity to expenses, with the objective of establishing a stable financial condition
- Monthly fundraising goals to monitor progress
- Contingency planning for lower than anticipated revenues

Based on the preceding information and evaluation of funding eligibility requirements, staff recommends that the City purchase only the sports field area of the BGC Smythe Clubhouse. Purchasing this property would have the following benefits to both the City and BGC:

- This funding would provide the City with ownership of an additional (artificial turf) soccer field to help alleviate the current lack of soccer facilities in the area, subject to the CDBG requirements that for the next five years, users of the field must reside within area bounded by Highway 101, Tully Road, Capital Expressway and Story Road.
- The City will operate, regulate and schedule the field for the benefit of the whole community.
- The funding would allow BGC to stabilize its operations and ensure the continued and potentially expanded provision of youth services throughout the city.
- Disbursement of funds is proposed to be phased, under terms to be negotiated with BGC. Staff anticipates that payments would be disbursed to BGC tied to execution of the agreement and recording of the acquisition, completion of a workplan, and actually demonstrating a sustainable financial condition, with the final payment at least one year after completion of the workplan. Staff has enlisted participation from United Way Silicon Valley, Community Foundation of Silicon Valley and First Five in reviewing and approving such a workplan.
- In the event that BGC cannot satisfactorily develop and complete a workplan, the City's second payment would be held until BGC completes their workplan; the BGC would be granted additional time (1 year) to complete its workplan. In the event that BGC was not able to demonstrate sustainable financial solvency the City will withhold final payment until BGC reaches a state of viable solvency. In either event, the City would continue to use and program the soccer field for general community uses. If BGC cannot meet its performance obligations, the City would take possession of the property with no further payments due.

Other negotiating points include when title to the soccer field would be transferred to the City and disposition of the outstanding bank loan and deed of trust of \$300,000.

The need for additional business planning efforts notwithstanding, the BGC's current impact to San José youth is significant. As evidenced in data provided by BGC, the club currently serves 3,443 youth citywide at its owned and leased facilities. A breakdown of this population served is graphically displayed in Attachment B. As expected, addresses of families served are greatest in the vicinity of BGC's clubhouses, the largest being the Smythe Clubhouse. Residents from City Council Districts 5 and 8 comprise the majority of Smythe Clubhouse users.

Options for BGC's future role at the City's Jackson Street Property – As BGC evaluates its operations, a number of options can be considered for future service to the community currently served by BGC's Northside Clubhouse. These include reduced operations and relocation to other facilities in the area, such as Empire Gardens School and Watson Community Center. Japantown stakeholders have also indicated an interest in future multi-organizational use of the City's Jackson Street property. The recommended financial agreement would not preclude any of these options. Staff will work with BGC and other stakeholders to evaluate alternatives for continued community organization use of the City's Jackson Street property.

ALTERNATIVES CONSIDERED

In order to identify the range of possible options for the Boys and Girls Club to stabilize its financial position, the City Manager met with the Executive Director to review alternatives. The options generally fell into the following approaches:

- City purchases the Smythe Clubhouse – This would be similar to the land swap originally proposed by BGC, but not involve the City’s Jackson Street property. The City would purchase BGC’s Smythe property and lease it back to BGC. This would provide the advantages of ensuring that the Smythe facility remains available for youth services, and would allow BGC to use the roughly \$4 million proceeds to fund operations for several years. However, the City would need to re-prioritize and fund this purchase above other community programs.
- City purchases the sports field portion of the Smythe property – Recommended alternative. This would provide the City with an additional sports field to add to its inventory, while providing BGC with needed revenue.
- BGC sells the Smythe Clubhouse for development – If BGC sold the Smythe property, the City would assist in relocating its operations to a nearby City facility. This would allow BGC to eliminate its debt and operating deficit. However, the Smythe Clubhouse and sports field would no longer be available for youth services and community use.
- BGC pursues other revenues – A variety of revenue generating options have been discussed, such as fundraising, reasonable fee increases spread over various BGC activities and pursuit of fee-generating programs targeted at other users. BGC reports they have limited opportunities for this to address its financial condition under current circumstances.
- BGC reduces operating expenses – A variety of options for reducing operating expenses have been identified, such as scaling back operations and reducing administrative costs through partnering with other organizations, potentially including possible merger with another Boys and Girls Club chapter. BGC reports that such measures are infeasible at this time given its debt condition, or would require elimination of core services.
- City purchases an additional interest in Smythe property. Recognizing eligibility requirements for various revenue sources, funding for this purchase could be organized by various methodologies in addition to that recommended by staff.

PUBLIC OUTREACH

Discussion of the recommended funding agreement has to date been limited to direct communications with BGC. Stakeholder meetings would be conducted with youth soccer organizations within the area bounded by Highway 101, Tully Road, Capital Expressway and Story Road.

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COORDINATION

This memorandum has been coordinated with the City Attorney's Office and Public Works Real Estate Division, as well as Council Districts 5 and 8.

COST IMPLICATIONS

It is anticipated that the agreement resulting from the recommended action will allocate up to \$1 million from the following sources:

Subdivision Park Trust Fund
Council Districts 5 and 8 Construction and Conveyance Tax Fund.

Staff will return to the City Council for approval of a specific funding plan and appropriations actions once an agreement has been negotiated with BGC.

BUDGET REFERENCE

Not applicable at this time. Budget references will be provided when a final agreement is recommended for City Council approval.

CEQA

Exempt, File no. PP06-071



ED SHIKADA
Deputy City Manager



ALBERT BALAGSO
Acting Director, Parks, Recreation
& Neighborhood Services

For questions please contact Albert Balagso, Acting Director, Parks, Recreation and Neighborhood Services, 793-5553



BOYS & GIRLS CLUBS

Of Silicon Valley

2006 BGCSV BUSINESS DEVELOPMENT PLAN – MAJOR STRATEGIES

ANNUAL CAMPAIGN: This campaign is critical to successfully increasing both the amount of individual gifts and number of individual donors. The goal for 2006 is \$324,000. This campaign will utilize several approaches:

Direct Mail: The One Campaign 2006 (Annual Campaign) was launched in January 2006 with the annual staff and board campaign. The expanded number of contacts resulting from this first effort will form the base for future mailings.

- April – All donors other than those identified for board contacts will be solicited by mail for Annual Campaign donation.
- May – Donor Acquisition mailing will be sent to 5,000 potential new donors. Past efforts have shown about a 5% return on new donors.

Board Contacts: Financial support from the board of directors and business and personal contacts is critical to the financial base of the organization:

- February/March – Board members make face to face contacts with previous givers of \$500 or more.
- February/March – Board members provide a minimum of 5 new contacts for Annual Campaign. Board letters are mailed to current contacts asking for an increase in giving.
- March – Provide board members with a list of previous contacts and recent contribution levels. Board members will use this for an initial outreach into the community for general support.

Major Gifts: Establish a Major Gifts committee to identify large donors and cultivate their relationship with the Boys & Girls Clubs of Silicon Valley for increased donations. The annual goal for 2006 is 190,000. This effort is ongoing all year round.

- April 06 – Review current list and add new contacts per discussion with major gifts chair.
- May 06 – Committee meets to finalize contact plan for 2006

EVENTS: Events provide the visibility and entrée into the corporate community. It is anticipated that the events committees will work with the Marketing or Public Relations Committee to increase the press opportunities:

Golf Tournament: This event has the potential to raise more than \$50,000 annually for the operating budget, and serve as an opportunity to gather the names of new potential donors. The financial goal for 2006 is \$60,000.

- February 06 – Establish a Golf Tournament Committee. This committee should be expanded to include community members to provide more support for the board, as well as expand the contacts for potential players and sponsors.
- April 06 – Sponsors in place, mailing out to community
- June 12, 2006 – Tournament at Silver Creek Valley Country Club

Leading Citizens Dinner: This event is the best opportunity for new and renewed contacts with the corporate community. Combined with the recognition of the four

Youth of the Year, it also provides an opportunity tell “our story” to the media and the community. The financial goal for the dinner is \$50,000.

- April 06 – Select an event chair and solicit committee members.
- May 06 – Announce selection for Leading Citizen.
- October 06 – Hold Leading Citizens Dinner.

Other Events: Staff and board are looking for additional opportunities through special events for additional income. These are generally less staff intensive and bring in small amounts of funding.

- Cable Car Classic Golf Tournament - \$14,000 annually
- Auto Show - \$5,000 annually

CORPORATE/FOUNDATION SUPPORT: There is considerable opportunity to increase both the number of foundations and corporations giving to the BGCSV, as well as the amount given. The key to these donations is through quality, measurable program support. Due to the improved quality of programs and timely reporting to funders over the last four years, we are in a good position for increased funding. The goal for 2006 is \$20,000 in corporate donations, outside of sponsorships. Our goal for foundation support is \$215,000. Key areas of focus should include:

- Identify viable programs for funding.
- Work with staff to develop goals and measurements for success.
- Begin developing accurate statistical data on members, programs and successes.
- Work with BG Club of America for adequate training, development of goals and potential funding for increased staff.
- Focus on maintaining current level of foundation support for 2006 with outreach to one or two potential large funders.
- Locate funding for full-time grant writer.
- Increase corporate outreach, both to new funders, and previous supporters.

CITY OF SAN JOSE: Current negotiations call for selling a portion of the Smythe Community Field to the City of San Jose for approximately \$800,000. Funds would be utilized as follows:

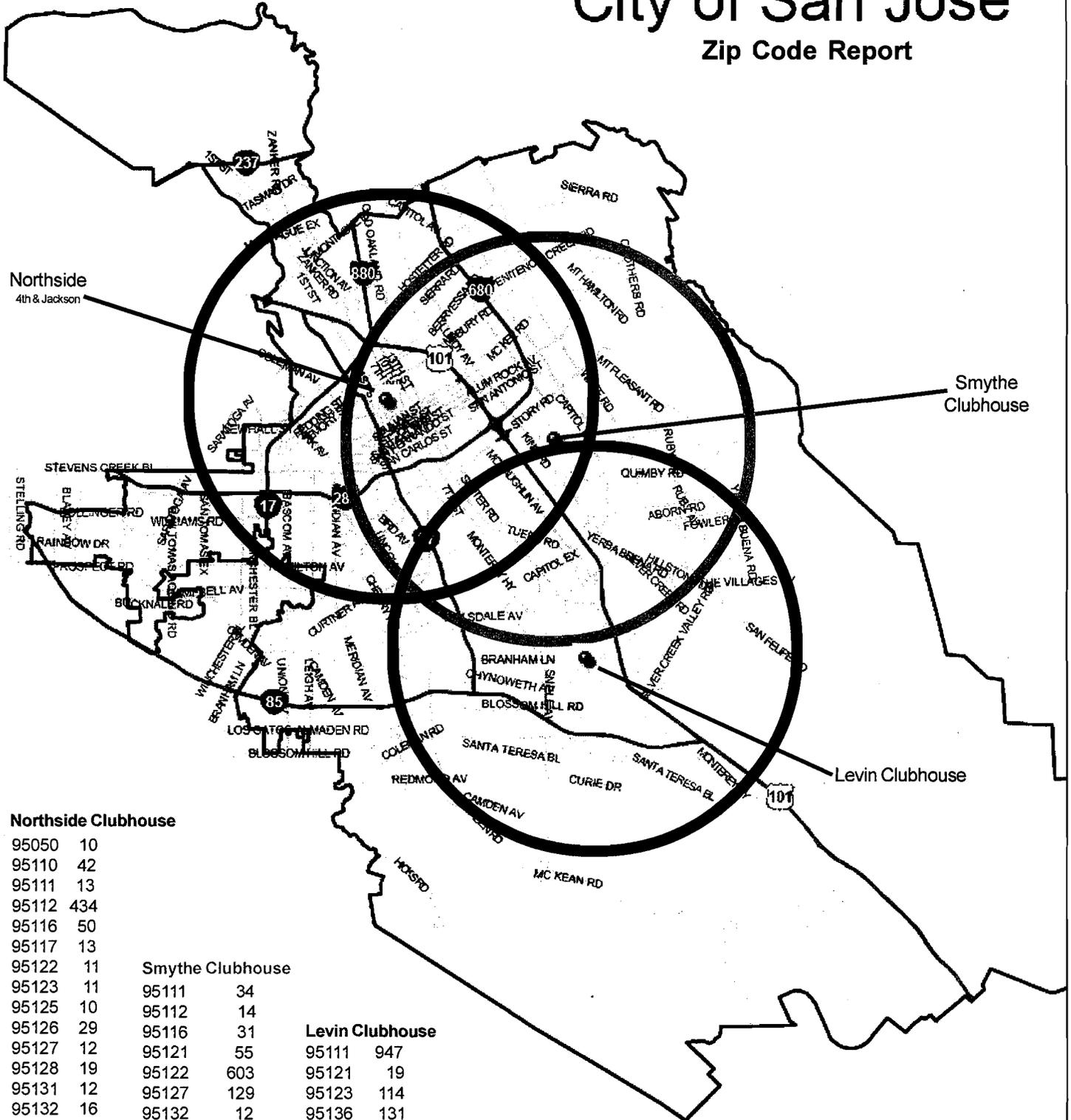
- Debt repayment - \$300,000
- Operating Reserves - \$300,000
- Endowment – \$200,000 (will be used to launch an endowment campaign)

STRATEGIC PLANNING: The BGCSV has already secured a \$28,000 contribution to be used for strategic planning/financial modeling for the organization in 2006. The Standards of Excellence (SOE) planning tool was used to develop a short-term strategic plan for 2006. This work will be used by the Strategic Planning Committee to plan and implement a strategic planning session for the board of directors in November 2006. The outcome of this session will be a 3-5 year Strategic Plan. Major focus will be given to:

- Board expansion and development
- Resource Development
 - Additional staffing
 - Grant development

City of San José

Zip Code Report



Northside Clubhouse

95050	10
95110	42
95111	13
95112	434
95116	50
95117	13
95122	11
95123	11
95125	10
95126	29
95127	12
95128	19
95131	12
95132	16
95133	20

Smythe Clubhouse

95111	34
95112	14
95116	31
95121	55
95122	603
95127	129
95132	12
95148	60

Levin Clubhouse

95111	947
95121	19
95123	114
95136	131
95138	53

Totals	692	938	1264
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○ = Five Miles Radius