



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Albert Balagso

SUBJECT: SEE BELOW

DATE: 01-21-10

Approved

Date

1/26/10

COUNCIL DISTRICT: Citywide

SUBJECT: PARKS, RECREATION AND NEIGHBORHOOD SERVICES CAPITAL PROJECT SCHEDULES

RECOMMENDATION

It is recommended that the City Council take the following actions related to placing a temporary hold on the design and construction of new parks and recreational facilities:

1. Accept the recommendation of the Director of Parks, Recreation and Neighborhood Services (Director) to place a hold through Fiscal Year 2010-2011 on the design and construction of new parks and recreation facilities which do not fit within the near term strategies outlined in the City Council approved Greenprint 2009 Update;
2. Request that the Director report back to the Mayor and City Council on an annual basis as part of the annual budget process to recommend either continuing the temporary hold or to begin design and construction;
3. Request that the Director facilitate a process with community stakeholders to brainstorm alternative funding mechanisms for facility operations and maintenance.

OUTCOME

City Council approval of this memorandum will result in a hold, through Fiscal Year 2010-2011, on the design and construction of parks and recreational facilities which negatively impact the City's General Fund. It will allow the focus of the Capital Improvement Program to remain on projects which help the parks system become financially and environmentally sustainable by building out the trail network, land banking for future park construction, constructing artificial turf sports fields and replacing aging infrastructure.

EXECUTIVE SUMMARY

The projected \$96 million General Fund budget forecast is likely to impact the ability of the City to maintain existing services. Investing in capital projects which help to achieve financial sustainability will help to mitigate the impacts of the pending budget reductions. This memorandum provides a recommendation to place a temporary hold on 12 capital projects that do not fit within the near term Greenprint 2009 Update goals which focus on trail projects and financially sustainable projects rather than new parks which exacerbate the operations and maintenance funding shortfall.

BACKGROUND

Since 2000, approximately 400 parks and recreation projects have been completed. Many of these projects, such as playground renovations, have helped the General Fund by reducing the backlog of aging infrastructure. However, these projects have also resulted in the development of significant additional infrastructure while at the same time the City has seen nine consecutive years of operational budget reductions. Community center square footage has increased by over 90% while staffing for centers has decreased by almost one-third. In addition, over 80 acres of new parks have been constructed over the past decade with a decrease in park operations and maintenance staffing.

Over the past several years, the Department has engaged in a number of service delivery model changes to address diminishing resources. These include, but are not limited to: (1) tiered park maintenance schedules based on usage; (2) significant reductions in community center hours – particularly at satellite centers; (3) community center re-use; (4) active brokering of partnerships with schools and non-profit agencies to supplement City services; (5) creation and implementation of new pricing and revenue strategies; (6) capital development partnerships with school districts; (7) establishment of a capital infrastructure delivery team; and (8) ramping up of the volunteer program. In addition to these changes, the Department is also engaging private partners through the establishment of a new Parks Foundation and working with the Friends of the Guadalupe River Park & Gardens to discuss establishment of a conservancy to assist with the parks operations and maintenance.

However, these changes alone have not been sufficient to eliminate the impact of new facilities to the operations and maintenance budget. To help with this impact, in FY 2009-2010, the Council approved deferral of the opening of the new Bascom and Seven Trees Community Centers which will add an additional 59,000 square feet to the community center inventory discussed above. The newly renovated Happy Hollow Park & Zoo was also approved for deferral for several months to help offset its General Fund impact. Even with these deferrals, the anticipated impact of new PRNS operated facilities scheduled to open in 2010-2011 is \$2.4 million as outlined in the Adopted FY 2009-2010 Capital Budget (Page V-298).

Fiscal Year 2010-2011 will represent not only the ninth consecutive year of General Fund shortfalls, but also the largest gap the City has confronted in any single year since 2002-2003.¹ The anticipated \$96.4 million gap requires that PRNS identify 35% of its budget for potential cuts. This equates to nearly \$17 million which is roughly equivalent to the entire budget for community center operations or the entire budget for neighborhood park maintenance. Because of the unprecedented budget shortfall, dramatic reductions will likely be required for maintenance and operations of parks and community centers in the new fiscal year.

The addition of new facilities to maintain would lead to the further deterioration of the service level for existing facilities. This is counter to the policy approved by the City Council in the 2008-2009 budget process which required that the City shall not proceed with projects with annual operating and maintenance costs exceeding \$100,000 in the General Fund without City Council certification that funding will be made available in the applicable year of the cost impact. Certification shall demonstrate that funding for the entire project, including operations and maintenance costs, will not require a decrease in existing basic neighborhood services.

Because of the impacts noted above, staff began a process in June 2009 of evaluating the project delivery schedules for all Capital Projects to determine how to minimize the impact on the General Fund.

Staff is recommending focusing on projects which help build a foundation for future financial sustainability. The Greenprint retains a long term vision for a balanced park system in each urban planning area, but it recognizes that the best way to achieve this vision is to focus the near term on projects and investments which will build a foundation for the future. Per the adopted Greenprint, this includes:

1. Trail projects that advance the Green Vision of 100 miles of trails;
2. Infrastructure improvement projects that reduce maintenance and operations costs;
3. Land banking for future park development; and
4. Renovation of sports fields to artificial turf to reduce maintenance and operations costs and water consumption.

ANALYSIS

On June 29, 2009, the Director of PRNS issued an Informational Memorandum informing the Mayor and City Council that a temporary hold was being placed on the design and construction of new parks and facilities due to their impact on the City's General Fund pending further discussion with the City Council. The purpose of the memorandum was to get a head start on addressing the anticipated General Fund shortfall for Fiscal Year 2010-2011. Attachment A

¹ On October 30, 2009 the City Manager released a report titled "2010-2011 Preliminary General Fund Forecast" which was provided to the Mayor and City Council to be used as an initial planning tool in the development of the 2010-2011 Proposed Budget. The report projects a shortfall of \$96.4 Million for 2010-2011 and points out that the fiscal outlook for the City continues to remain dismal as reflected in the very sizable General Fund shortfall projected for 2010-2011.

provides a listing of the currently funded PRNS capital projects and categorizes them based on how they do, or do not, fit in the Greenprint criteria.

Staff is not recommending placing a hold on any projects which have been awarded construction contracts or are currently in the construction stage because of the costs associated with stopping projects which are under construction. However, staff is recommending continuing to place a temporary hold on the start of design and construction of new parks and facilities which do not fit the Greenprint criteria, approved by City Council on December 8, 2009, with the following exception:

- Nisich Park -- Staff is recommending to proceed with the construction of Nisich Park due to the substantial State of California grant funding associated with this park which will be lost if the park is not completed by February 1, 2011.

Proposed Deferral Projects

Based upon preliminary analysis, six City-delivered new parks, four new developer delivered turnkey parks, one neighborhood center and one community garden project are recommended as part of this memorandum to be placed on hold. The 12 projects are spread through Council Districts 3, 4, 6, 7 and 10 as follows:

Council District	Park and Recreation Facility
3	Martin Park, Newhall Park, Pellier Park (turnkey)
4	Mabury/Commodore Park, Riverview Park (turnkey), River Oaks Park (turnkey)
6	Del Monte Park
7	West Evergreen Park, Antonio Balermينو Park (formerly Almaden Apartments Park), Montecito Vista Park (turnkey)
10	Hoffman Via Monte Neighborhood Center, Martial-Cottle Community Garden

Even though most of the projects listed above do not meet the \$100,000 certification threshold by themselves, in total they would have an approximately \$733,000 negative impact on the General Fund once they are all completed.

It should be noted that the draft San José Redevelopment Agency (SJRA) budget document released in late 2009 proposes deferment of construction funding for four of the new facilities identified in the table above. If the Proposed SJRA budget is adopted by the Mayor and City Council in early 2010, funding for the following projects would be deferred:

- Antonio Balermينو Park (formerly Almaden Apartments Park) until 2013-2014;
- Del Monte Park until 2013-2014;
- Hoffman Via Monte Neighborhood Center until 2013-2014; and
- West Evergreen Park until 2012-2013.

There has been discussion regarding partially building out West Evergreen Park with the funding still available from the Parks portion of Construction and Conveyance Tax dollars but this is not recommended as it would still lead to an increase in the General Fund maintenance obligation.

It should be noted that all of the projects in the above table are currently considered to be fully funded for design and construction through either the City or SJRA's Five-Year Capital Improvement Programs or through turnkey agreements with developers. This memorandum does not change the status of construction funding for any of these projects.

Four of the projects in the above table are turnkey parks which have not yet started construction but have agreements with developers that would allow their construction to begin in 2010. These parks are Pellier, Montecito Vista, River Oaks, and Riverview. Based on previous discussions with staff, the developers for Montecito Vista, River Oaks, and Riverview do not intend to begin park construction prior to 2011. Staff is in the process of revising the turnkey agreement with the developer for Pellier Park and will propose a new schedule to Council when the turnkey agreement is brought forward for approval.

Staff recommends placing a temporary hold on the design and construction of these 12 new parks and recreation facilities pending identification of a funding mechanism for operations and maintenance costs. The exceptions for this temporary hold are the Hoffman/Via Monte Neighborhood Center and the four turnkey projects. The neighborhood center currently has a consultant contract underway to complete project design. Once the design is completed however, the construction will remain on hold pending further Council action. As to the four turnkey projects, staff recommends allowing the developers to complete the design of the park and staff will return to City Council at a later date to discuss commencing construction on these turnkey projects. Staff will also need to work with the developers to amend the existing turnkey agreements that currently authorize them to begin construction this year.

Alternative Funding Sources for O&M

Due to the substantial cuts to the operations and maintenance budgets impacted in the coming fiscal year, it is not possible to certify that funding will be available to operate and maintain these facilities so alternative funding mechanisms must be identified to allow development to continue in Fiscal Year 2010-2011. Staff will report back to Council during the development of the 2011-2012 budget to determine if funding is available at that time to continue with the projects. There are a number of potential alternative funding mechanisms which could allow for the City Council to provide certification that operations and maintenance funding will be available for a project to continue during Fiscal Year 2010-2011. In order to explore these alternatives, staff will establish a process with stakeholders to accomplish the following:

- Discuss existing maintenance partnership agreements;
- Discuss existing policies and legal issues surrounding maintenance partnerships;
- Brainstorm alternative maintenance funding options.

Representatives from the impacted projects will be invited to participate in the stakeholder process. This will include community members as well as representatives from the development community, where applicable. At the conclusion of the stakeholder process, the Director of PRNS will report the results to the Parks and Recreation Commission and provide an informational memorandum to the City Council.

If alternative mechanisms are identified for any of the 12 parks and facilities that are recommended for temporary hold, staff will report to the Mayor and City Council and make a recommendation regarding whether or not the funding mechanism is secure enough to allow the City to proceed with the design and construction of the new park or recreational facility. A funding mechanism should be able to provide O&M funding for at least three fiscal years before being considered viable for proceeding with a project. Funding mechanisms could take many forms such as:

- A grant or donation to the City which subsidizes the City's annual maintenance of the facility;
- An organization such as a Home Owner's Association which hires, at its cost, a contractor to perform the maintenance;
- An established entity such as non-profit organization or private company, at its cost, hires a contractor to perform the maintenance;
- The establishment of a Community Facilities District (CFD) to fund the maintenance.

Three parks are currently wholly or partially funded through the above mechanisms as follows:

- A contract with Adobe Corporation to fund a portion of the maintenance for McEnery Park downtown;
- A one year agreement with Hitachi Corporation to fund the maintenance of RAMAC, Raleigh Linear Green and Charlotte Commons parks;
- An agreement with a Home Owners Association (HOA) to fund the maintenance of stormwater detention features in Luna Park.

In addition, the following maintenance agreements or funding mechanisms are currently under development:

- Extension of the one year maintenance agreement with Hitachi Corporation for the maintenance of RAMAC, Raleigh Linear Green and Charlotte Commons parks and the ongoing development of a CFD to fund the permanent maintenance;
- An agreement with an HOA to fund the permanent maintenance of Piercy Park, which is currently under construction as a new turnkey park by KB Homes;
- An agreement with a developer to fund the maintenance of North San Pedro Park for the first three years once it is constructed;
- An agreement with Novellus Corporation for annual payments to the City for 20 years for the maintenance of the future turnkey soccer park at First Street and Vista Montana.

Contract and legal issues to be addressed will be discussed and analyzed further as part of the stakeholder process. However, some key issues that need to be addressed include:

1. Ensuring that the park is properly and professional maintained and inspected on a regular basis so that it is clean, safe and functional;
2. Compliance with the City's Prevailing Wage Policy, if applicable;
3. Maintaining insurance policy against claims for injuries and damages to property;
4. Responsibility of negligent maintenance and willful or negligent acts of employees involved in park maintenance.

The eventual development of new park facilities for residents in underserved areas is critically important to creating a balanced park system in San José. Unfortunately, the dramatic budget deficit projected for next fiscal year will likely reduce resources available for our existing facilities which require a temporary hold on new construction until the City can determine how to fund the maintenance of these new facilities. As mentioned above, staff will establish a focus group to work with interested organizations to discuss alternative funding mechanisms to see if there are any opportunities to continue with the development of these parks at this time. Residents from the Newhall Neighborhood Association have already met with staff to begin these discussions and have identified a potential grant from Union Pacific Railroad which could be used to fund the maintenance of Newhall Park for three years. The Newhall neighbors proactively researched and prepared information for this grant application and partnered with City staff to submit the application in Fall 2009. Notification on the status of the grant application is anticipated in Spring 2010.

EVALUATION AND FOLLOW UP

Staff will report back to the Mayor and City Council on an annual basis as part of the budget process and as needed when new funding mechanisms are identified which would allow for development of a particular park to continue.

POLICY ALTERNATIVES

Alternative #1: Continue with the development of the twelve new park and recreation facilities

Pros: Provides new park space to underserved areas of the City

Cons: Places existing obligations on park maintenance and operations staff during a fiscal year when the City is faced with a General Fund deficit of \$96.4 million.

Reason for not recommending: This does not fit with the long term vision of creating a financially sustainable, balanced parks system.

PUBLIC OUTREACH/INTEREST

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

The proposed Council action does not require outreach per the above criteria. However, a public hearing was held at the December 2, 2009 Parks and Recreation Commission meeting on the status of potential park deferrals at which members of the public provided testimony regarding the need to construct these park facilities as most of these new parks are planned for areas which are underserved with no close parks within walking distance to the residents. This memorandum will be posted on the internet for the February 9, 2010 City Council meeting, and residents who have expressed interest in the continued development of these facilities will receive an email informing them of this item on the City Council agenda.

COORDINATION

This memorandum has been coordinated with the City Attorney's Office, San José Redevelopment Agency, Department of Public Works and the City Manager's Budget Office.

FISCAL/POLICY ALIGNMENT

This recommendation is consistent with the Council approved strategies outline in the Greenprint 2009 Update document which calls for a focus on projects which help build a foundation for future financial sustainability

COST SUMMARY/IMPLICATIONS

Placing a temporary hold on these projects is anticipated to defer the future impact to the General Fund of approximately \$733,000 on an annual basis once all of the projects have been completed. In addition, deferring the construction of these projects will likely require a re-evaluation of the staffing needs necessary in the Parks capital program over the next several years and it also could result in potentially higher construction costs in the future.

HONORABLE MAYOR AND CITY COUNCIL

01-21-10

Subject: Parks, Recreation and Neighborhood Services Capital Project Schedules

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BUDGET REFERENCE

Not Applicable

CEQA

Not a project



ALBERT BALAGSO
Director of Parks, Recreation and
Neighborhood Services

For questions please contact Matt Cano, Division Manager, at 408-535-3580.

Attachment

Attachment A
Current PRNS CIP Projects
Page 1 of 3

CD	Greenprint 2009 Update Prioritization Category					
	Trails Development	Infrastructure Backlog	Land Banking	Premier Sports Fields	New Park and Recreation Facilities	
					City Managed	Turnkey (Developer constructed)
1		<ul style="list-style-type: none"> • Calabazas Palaygrounds Renovation • Cypress Senior Center Parking Lot Renovation • Starbird Park Renovation¹ 	<ul style="list-style-type: none"> • Blackford SNI New Park* 	<ul style="list-style-type: none"> • Sports Field Partnership 		
2					<ul style="list-style-type: none"> • Edenvale Community Center³ 	<ul style="list-style-type: none"> • Piercy Park (HOA maintenance)³
3	<ul style="list-style-type: none"> • Trail: Guadalupe Reach VI • Trail: Coyote (237-Story) (SAFETEA) 	<ul style="list-style-type: none"> • Watson Phase I³ • St James Park Improvements¹ • O'Donnel's Park Gazebo Install • Backesto Park Minor Renovation 	<ul style="list-style-type: none"> • Tamien Park Acquisition • Spartan Keyes Park Acquisition¹ • Rincon South Park Acquisition¹ 	<ul style="list-style-type: none"> • Watson Park Phase II Soccer Field 	<ul style="list-style-type: none"> • Martin Park Development • Newhall Park Development 	<ul style="list-style-type: none"> • Luna Park³ • 10th/Mission Park (pending) • King/Dobbin Park (pending) • North San Pedro Park (pending) • Pellier Park
4	<ul style="list-style-type: none"> • Trail: Penitencia Creek Reach 6³ • Trail: Penitencia Creek Reach I (design) • Trail: Bay Trail 9B • Trail: Coyote (237-Story) • Trail: Lower Guadalupe (Gold-880) 	<ul style="list-style-type: none"> • Penitencia Creek Park Playground Renovation 	<ul style="list-style-type: none"> • Cadence Park • Northpointe Park • Rock/Oakland Acquisition • Bay Trail Reach 7 Land Acquisition 		<ul style="list-style-type: none"> • Mabury/Commodore Park 	<ul style="list-style-type: none"> • Riverview Park • Riveroaks Park • Vista Montana Parks (pending)

1. The funding for these projects are proposed for deferral as part of the SJRA Proposed CIP
2. "Pending" indicates that the turnkey agreement with the developer which spells out the delivery timeline for the park has not yet been completed
3. These project are currently under construction
4. Shaded projects are recommended for deferral as part of this memorandum

Attachment A
Current PRNS CIP Projects
Page 2 of 3

CD	Greenprint 2009 Update Prioritization Category					
	Trails Development	Infrastructure Backlog	Trails Development	Premier Sports Fields	New Parks and Recreation Facilities	
					City Managed	Turnkey (Developer Constructed)
5	<ul style="list-style-type: none"> Trail: Lower Silver Creek: Silverstone Place³ 	<ul style="list-style-type: none"> Lo Bue Park Irrigation 		<ul style="list-style-type: none"> Sports Field Partnership 	<ul style="list-style-type: none"> Fleming Park³ 	<ul style="list-style-type: none"> Jackson/Madden Park³
6	<ul style="list-style-type: none"> Trail: Willow Glen Spur 	<ul style="list-style-type: none"> Bramhall Park Playground Renovation Buena Vista Park Improvements 	<ul style="list-style-type: none"> Scottish Rite Park (dedication) Evans Lane Park Del Monte Park Acquisition 	<ul style="list-style-type: none"> Santana Park & Ballfield Renovation 	<ul style="list-style-type: none"> Bascom Community Center³ Del Monte Park Development¹ 	
7		<ul style="list-style-type: none"> Alma Community Center Playground Renovation¹ Tully Ballfields Parking Lot 		<ul style="list-style-type: none"> Solari Park Ballfield Renovation 	<ul style="list-style-type: none"> Seven Trees Community Center³ West Evergreen Park Development¹ Almaden Apartments Park Development¹ Nisich Park Development 	<ul style="list-style-type: none"> Montecito Vista Park Dairy Hill Basin (CFD maintenance)³
8	<ul style="list-style-type: none"> Trail: Thompson Creek Tully-Aborn (design) 		<ul style="list-style-type: none"> Thompson Creek Trail (Karstan Land Acquisition) 		<ul style="list-style-type: none"> Aborn Park Playground Install³ 	

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Attachment A
Current PRNS CIP Projects
Page 3 of 3

CD	Greenprint 2009 Update Prioritization Category					
	Trails Development	Infrastructure Backlog	Trails Development	Premier Sports Fields	New Parks and Recreation Facilities	
					City Managed	Turnkey (Developer Constructed)
9	<ul style="list-style-type: none"> Trail: Guadalupe River (Chynoweth- Branham) (design) 	<ul style="list-style-type: none"> Kirk Community Center³ Paul Moore Playground Renovation Camden Kidzone 				
10	<ul style="list-style-type: none"> Trail: Almaden Ped Overcrossing (design) Trail: Guadalupe Creek (Singletree-Masson Dam) Guadalupe River Lighting Study (Coleman Bridge) 	<ul style="list-style-type: none"> Almaden Winery Irrigation Automation Vista Park Renovation 		<ul style="list-style-type: none"> Sports Field Partnership 	<ul style="list-style-type: none"> Hoffman/Via Monte Neighborhood Center Martial-Cottle Community Garden 	
CW	<ul style="list-style-type: none"> Trail: Milestone Markers Bridge Assessment / Annual Inspection 	<ul style="list-style-type: none"> Happy Hollow Park & Zoo Reconstruction³ Lake Cunningham Skatepark Lighting³ 		<ul style="list-style-type: none"> Coleman Road Soccer Complex Citywide Softball Complex 		

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