



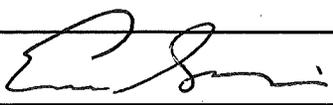
Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Julie Edmonds-Mares

SUBJECT: SAN JOSE FAMILY CAMP

DATE: October 28, 2011

Approved 

Date 11/1/11

COUNCIL DISTRICT: Citywide

RECOMMENDATION

Adopt a resolution including the following actions:

- (a) Authorize the City Manager to offer for sale the improvements associated with Family Camp, and therefore remove the City from future obligations to operate Family Camp; or if acceptable financial terms cannot be reached;
- (b) Operate Camp through a third party concessionaire similar to the other facilities under the City's Community Center Reuse Policy, which would require the City to enter into a new Special Use Permit/Land Lease with the U.S. Forest Service and does not relieve the City from the future capital expenditures at Family Camp.

OUTCOME

Acceptance of this report and adoption of the resolution will provide the U.S. Forest Service with the City's commitment to discontinue operating San José Family Camp in the future as a direct City program.

EXECUTIVE SUMMARY

Organization camps like Family Camp have played an important role in exposing children and adults to the natural environment. Such camps have provided an opportunity for children raised in metropolitan areas to gain an appreciation of the great outdoors. Such camps also allow the family to bond, grow closer, and build relationships as a family and with other families and friends.

San José Family Camp ("Camp"), a 46.8 acre site, has been managed and utilized by the City of San José since 1968. Currently there are 70 wood-framed and canvas covered platform-tents scattered among the pines and oak trees along the Middle Fork of the Tuolumne River. Other Camp

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improvements include a dining hall, a patio and deck area, an amphitheater, a crafts and arts building, restrooms, a playfield, a tot play area, and service buildings. Camp is a retreat from urban life, where campers of all ages can fish, hike, swim and participate in organized activities, interpretive programs, or just relax and enjoy the beautiful mountain scenery. The Camp ranges from 70 to 300 campers per night, with a summer support staff of approximately 40 to 60 seasonal employees and volunteers. The Camp summer program runs seven days a week from the middle of June through the middle of August, with complete in-house meal services and a variety of structured recreational and interpretive activities. Three meals a day are prepared by Camp staff and are served cafeteria-style. During the spring pre- and fall post-seasons, Camp is available for families, individuals, and groups on various weekends. During these periods, Camp has hosted community organizations such as YMCA, Scouts, the Boys and Girls Clubs, schools, and special interest groups. The pre- and post-seasons have a reduced staffing level. Camp typically opens on the Friday before the last Saturday in April, opening day of trout fishing in the Sierra Nevada Mountains. Camp closes down in October for the winter.

The program costs for Camp are mainly underwritten by the revenue fees obtained from the campers. The City's goal is to operate Camp to be a 100% cost recovery program with no impacts to the General Fund. In 2009, the last year the Camp was fully opened and serving 5,755 individuals, the site generated revenues provided a cost recovery rate of 91.5% for direct seasonal costs, 83.1% when including the annual capital expenditure liabilities, which are funded from the Citywide Park Fund and 60.4% when the indirect costs are included. For the 2011 season, the City increased the camper fees by approximately 20% to move closer to the 100% cost recovery goal.

A major issue for Camp is the estimated expenditure of \$10,000,000 to \$16,000,000 over the next 20 years to renovate the existing deteriorating facilities and to implement the environmental work required by the Camp's landlord, the U.S. Forest Service, and other regulatory agencies. The estimated cost to close Camp, remove the facilities, and restore the site to a natural state as indicated by the current agreement with the U.S. Forest Service is just under \$16,000,000 and within the range to repair Camp; however, the timeframe for such expenditures is likely reduced for the closure option.

The City is facing at least a \$78,000,000 dollar deficit in the 2012-2013 General Fund Budget. However, this preliminary figure is expected to grow since it does not include potential impacts from increases in pension costs, the impacts of State legislation and related court decisions on the San José Redevelopment Agency, and a number of other things that could make these numbers worse. The size of the proposed deficit makes clear the City will not be able to offer all of its current programs next year.

Before December 31, 2011, the U.S. Forest Service has asked the City to make known its intention to either operate Camp in the future or to discontinue it as a City program. Staff believes that Camp revenues can pay for its direct operational costs in the future, however, the future capital costs is daunting. Therefore, staff recommends the options to either sell its interest in the Camp improvements and discontinue Camp as a City program, or to operate Camp through a third party concessionaire similar to other facilities under the City's Community Center Reuse Policy. The latter option will require the City to renew its Special Use Permit/Land Lease with the U.S. Forest Service.

The City does not have a Special Use Permit/Land Lease with the U.S. Forest Service to operate Camp beyond December 31, 2011; therefore staff is recommending not operating Camp next year for the 2012 season and beyond as a City run program and to place improvements up for sale.

BACKGROUND

A condition of Amendment Number Five to the current Special Use Permit/Land Lease Agreement with the Forest Service for Camp is for the Director of the Department of Parks, Recreation, and Neighborhood Services (PRNS) to make a recommendation to the City Council whether to continue future operations of Camp by the City and to inform the Groveland Ranger District of the U.S. Forest Service on or before December 31, 2011, of the City Council's action regarding the future operation of Camp. Amendment Number Five extended the City authority to operate Camp on Federal land to December 31, 2011.

On March 2, 2010, the Council directed staff to return with the following analysis prior to the execution of a new 20-year Special Use Permit/Land Lease Agreement with the U.S. Forest Service to operate Family Camp on Federal land:

- (1) A plan that could bring the operation of Family Camp to full cost recovery, including the amount necessary to amortize the cost of needed repairs over a period not to exceed ten years, which includes the establishment of a sinking fund to address the other anticipated and unanticipated needs of Family Camp in the future.
- (2) A plan for a potential exit strategy; the implications of closing Family Camp and discontinuing the City agreement with United States Forest Service; and what that would entail as far as costs that the City would need to return the camp area to pristine condition or as required by the permit so that Council can evaluate all options on the table.

Camp is currently managed and operated by Parks, Recreation and Neighborhood Services (PRNS). The Camp is approximately two and half hours east of the City and is situated on 46.8 acres of federal land leased from the Groveland Ranger District of the Stanislaus National Forest (U.S. Forest Service). It is located just off State Highway 120, fifteen miles east of Groveland, and ten miles west of the northern entrance to Yosemite National Park.

The U.S. Forest Service has requested that the City provide a comprehensive evaluation of Camp facilities, and identify opportunities to renovate the facilities and ensure regulatory compliance. The U.S. Forest Service has requested this information be presented in a master plan format, which will also be used to define the City proposed project for environmental review under the National Environmental Policy Act (NEPA) and the California Environmental Quality Act (CEQA). The City has contracted with David J. Powers & Associates, Inc., an environmental consultant and planning firm to prepare a joint NEPA/CEQA document regarding the proposed renovations and new facilities as noted in the Draft Master Plan for Camp. This effort should result in a Master Development Plan for capital improvements that is acceptable to the U.S. Forest Service and fulfill a prerequisite required to obtain a Special Use Permit/Land Lease to operate Camp on Federal land.

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On September 11, 1967, the City Council considered and approved the concept of purchasing Family Camp (aka Tuolumne Camp Site) from the City of Oakland by a four to two vote with one absent. City Manager Hamann expressed the opinion that the purchase price of the Camp was reasonable. Mayor James expressed the opinion that a majority of the Council was interested in providing camping facilities for San José residents, and advocated for providing camping facilities for both campers who desire to cook their own meals and sleep on the ground as well as those who desire to sleep in tents and eat in a dining hall. On November 13, 1967, Councilmember Mineta motioned that the City Manager be authorized to submit a sealed bid to the City of Oakland for the acquisition of the improvements associated with the Camp. On November 20, 1967, City Manager Hamann reported that the City's bid for the acquisition of the Camp had been accepted by the City of Oakland. The City of San José was the only bidder for the camp site. On February 26, 1968, the City Council approved the first Special Use Permit/Land Lease with the U.S. Forest Service to operate Camp as a City program.

In the past, the Friends of Family Camp, a not for profit 501 (c) 3 organization, have provided donated labor to help run, repair, and enhance the Camp facilities. The Friends of Family Camp was established in 1973, as an auxiliary volunteer organization dedicated to maintaining Camp for the enjoyment of all campers. They have been conducting periodic work parties at Camp since their inception and continue to the present day to support site maintenance, camp repairs, and modest fund raising activities. PRNS anticipates this relationship will continue into the future.

Prior to the issuance of a new 20-year Special Use Permit/land Lease, the U.S. Forest Service requested the City to prepare an evaluation of its current facilities and to discuss opportunities to renovate existing or build new facilities at Camp. PRNS staff has prepared the Draft 2010/11 Master Plan for Family Camp to comply with the request from the U.S. Forest Service. The Draft 2010/11 Master Plan is currently under environmental review. The Draft Master Plan provides a list of proposed capital projects that could occur at Camp over the next 20-year period. The implementations of those projects are dependent on funding. PRNS also prepared a Business Plan and hired Pros Consulting, LLC, to review the staff documents and to prepare a Feasibility Study for Camp. All of these documents are posted online at the PRNS Family Camp website at <http://www.sanjoseca.gov/prns/familycamp>.

ANALYSIS

Camp is one of many facilities and programs operated by PRNS. The draft "Business Plan" and "Feasibility Report" for Camp provides information regarding the Council's March 2, 2010 (Item 5.2) request to create a plan that could bring the operations of Camp to full cost recovery. The chart on the next page provides a summary of Camp operations for the last three fully operating seasons. Camp was closed in 2010 and for the 2011 pre-season for repairs to the dining hall. For 2011, the camper fees were increased by an average of 20% to bring the program closer to achieving a full cost recovery rate for direct costs and annual capital expenditures. The 2011 adult resident fee is \$70 per night, which includes three meals per day and a tent. As a comparison, the average adult cost that San José residents would pay at other nearby camps for a similar experience is \$89 per night. Therefore, there is possible latitude to increase the camper fees in the future.

Summary of Operations	2007	2008	2009	2011
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Description (1)	Season	Season	Season	Projected
Camper Revenues	\$544,865	\$676,833	\$712,078	\$675,000
Total Direct Camp Expenditures (2)	\$722,815	\$714,412	\$778,518	\$621,000
Annual Capital Expenditures (3)	\$85,752	\$66,426	\$78,216	\$84,000
Total Expenditures	\$808,567	\$780,838	\$856,734	\$705,000
Operating Margins (4)	(-\$263,702)	(-\$104,005)	(-\$144,656)	(-\$30,000)
Direct & Capital Cost Recovery Rate	67.4%	86.7%	83.1%	95.7%
Indirect Program Costs (5)	\$243,357	\$218,562	\$322,777	\$195,000
Camp Expenditures with Indirect Costs	\$1,051,942	\$999,400	\$1,179,511	\$900,000
Cost Recovery Rate with Indirect Costs	51.8%	67.7%	60.4%	75%
Number of Individual Campers	4,685	5,570	5,755	4,000
Adult Summer Fee per day (16 and up)	\$52	\$52	\$55	\$70
Summer Season Occupancy Rate (6)	74%	83%	89%	80%

1. Camp was closed in 2010 and for the 2011 pre-season session for repairs to the Dining Hall

2. These numbers do not include indirect costs, but do include direct general fund costs

3. The annual capital expenditures is from the Citywide Parks Fund for the site lease and minor capital improvements

4. Camp revenues minus total direct and annual capital expenditures

5. Amount associated with direct program personnel wages based on PRNS overall indirect cost factor by year

6. Percentage of tent rentals

Projected Operation Scenarios Description	2012 Season	2013 Season	2014 Season	2015 Season
Camper Revenues (1)	\$702,400	\$727,195	\$752,865	\$779,441
Camp Retail Revenues (Camp Store) (2)	\$28,050	\$31,472	\$35,312	\$39,620
Total Revenues	\$730,450	\$758,667	\$788,177	\$819,061
Total Direct Camp Expenditures (3)	\$635,294	\$703,857	\$720,648	\$737,851
Annual Capital Expenditures (4)	\$84,000	\$30,000	\$30,000	\$30,000
Total Expenditures	\$719,294	\$733,857	\$750,648	\$767,851
Operating Margins (5)	\$11,156	\$24,810	\$37,529	\$51,210
Direct and Capital Cost Recovery Rate	101.6%	103.4%	105.0%	106.7%
Indirect Cost at 68.62% of Direct Wages (6)	\$200,093	\$205,115	\$210,264	\$215,541
Camp Expenditures with Indirect Costs	\$919,387	\$938,972	\$960,912	\$983,392
Cost Recovery Rate with Indirect Costs	79.4%	80.8%	82.0%	83.3%
Number of Individual Campers	4,900	5,000	5,100	5,200
Adult Summer Fee per day (16 and up)	\$71	\$72	\$73	\$74

1. Includes an annual increase of 1.5% in camping revenues and 2% in visitors based from the 2011 Fee Schedule

2. Includes an annual increase in retail revenues of 10%

3. Includes a 2% annual increase in expenditures and beginning in 2013 the lease payment

4. Annual capital expenditures from the Citywide Parks Fund for the site lease payment in 2012 and minor capital repairs.

5. Camp revenues minus total direct and annual capital expenditures

6. The Indirect Cost Factor changes from year to year – This Chart uses the PRNS average of 68.62% factor for future years
[Information derived from the Feasibility Study by Pros Consulting]

According to the tables above, Camp revenues are anticipated to be 95.7% of direct and annual capital expenses for 2011 and should be cost recovery in the following years. It is important to note that the cost recovery rate drops to 75%, when adjusting for the indirect cost factor at 68.62% of direct wages associated with a PRNS program. All camper fees would need to be increased by 25%

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to cover the indirect costs. The current adult resident fee at \$70 per night would need an increase of \$17.50 and the non-resident adult fee by \$23.00. These numbers do not include the amount required for long range capital repairs, which are discussed later in this report.

Based on the City's budget procedures for indirect costs, camper fees will need an increase for the program to be truly cost recovery. This rate changes each year to facilitate the indirect cost factor for a program. The indirect cost is derived from the Department's administrative costs and all non-personal costs, as well as the PRNS share of all support department costs, compared to the Department's personnel costs, excluding benefits amounts.

In order to minimize the impacts on the City's General Fund from Camp, PRNS has done initial explorations regarding potential use of a third party operator and potential collaborations with universities and/or other public agencies as partners in operating Camp. An interest letter was sent to universities, government entities, non-profit and for profit businesses. We received inquiries including the following examples:

- The City of Tracy expressed an interest with the idea of its residents having access to Family Camp for a reduced fee. One scenario that appeared most feasible is for the City of Tracy to create and manage an online registration process for Camp, thus reducing City expenditures and making the process visible to campers regarding tent selection.
- Staff has also discussed possible collaborations with the Dean of the College of Applied Sciences and Arts for San José State University (SJSU). A follow-up meeting was conducted at Camp with SJSU faculty.
- Staff met with the Park Company, a Camp concessionaire, on-site. They showed interest in operating Camp, but expressed concern regarding prevailing/living wage requirements.
- Additionally, staff had conversations with operators of similar camps including Berkeley and San Francisco.

If the Council decision is to continue to operate Camp, then staff will further explore opportunities to partner with others in providing this camping experience.

Prior to the issuance of a new Special Use Permit/Land Lease, the U.S. Forest Service requested that the City prepare the "Draft 2010/11 Master Plan for Family Camp" to evaluate its current facilities and discuss opportunities to renovate existing or build new replacement facilities. The Draft Master Plan provides both the U.S. Forest Service and the City with a list of proposed capital projects that could occur at Camp over the next 20-year period, if funding permits. The Draft Master Plan provides staff and the City Council with cost options to either renovate the existing deteriorating facilities, or close Camp and remove the existing facilities, and restore the site to a natural state. Staff has considered the following four alternatives noted below in the "Draft 2010/11 Master Plan" document for Family Camp.

Proposed Alternatives:

1. The status quo option, which would repair, enhance and/or replace the existing Camp facilities in-kind and implement the environmental land management work required by the

U.S. Forest Service and other regulatory agencies. The environmental land management work includes the installation of bear proof trash containers and food lockers, the protection of on site cultural resources, sediment reduction, hazardous tree management, noxious weed management, and vegetation reduction work to reduce the fire fuel load in Camp. The primary cost factor in this alternative is the replacement of the dining hall at \$4,000,000. The current dining hall capacity is 200 campers at one seating. In total, this alternative is estimated to cost approximately \$9,840,000 in capital repairs, which includes the dining hall, over the next 20 years. This amount is above and beyond the revenues and funding streams identified in the tables on the preceding pages.

2. The replacement of the existing deteriorating dining hall/kitchen/office/first aid facility with a new two story building on the same footprint as the existing building. The first story would be used for an expanded dining hall facility, the first aid station, and the Camp's reception office. The second story would be used for a nature center and office space. This option would also convert the existing caretaker's carport into a garage and provide two solar carports to help off-set the Camp's electrical costs, and some year-round sleeping facilities. This alternative would increase the capacity of the dining hall by approximately 30 campers. This alternative is estimated to cost up to \$14,940,000 (\$5,100,000 more than Alternative 1) over the next 20 years, which again is above and beyond the revenue and funding streams identified in the above table.
3. Enlargement of the footprint to the proposed dining hall/nature center building proposed in Alternative 2 by removing two nearby facilities so that the overall square footage of improvements located in the Forest Service's Riparian Conservation Area (RCA) is not increased. The RCA is a 300 foot set back zone on each side of the Middle Fork of the Tuolumne River, which flows through Camp. Approximately 80% of the existing Camp facilities are located within the RCA. This alternative would increase the dining hall capacity by 48 campers compared to Alternative 1. This alternative is estimated to cost up to \$16,260,000 (\$1,300,000 more than Alternative 2) over the next 20 years. Again this capital amount is above and beyond the revenue and funding streams identified in the table on the preceding pages.
4. Alternative 4 in the Master Plan would close Camp. The Special Use Permit/Land Lease Agreement with the U.S. Forest Service states that upon abandonment, termination, revocation, or cancelation, the City shall remove all structures and improvements, except those owned by the United States, and shall restore the site. If the City fails to remove the Camp structures and improvements owned by the City, then such structures and improvements shall become the property of the United States. The failure to comply with this condition will not relieve the City of its liability to pay for the removal of Camp facilities and to restore the site. This alternative is estimated to cost up to \$15,950,000 to remove the existing improvements, and to re-contour and re-vegetate the site. The time period for this work to return the Camp site to pristine conditions would have to be negotiated with the U.S. Forest Service.

Much of the proposed work defined in the Draft Master Plan is the result of deferred capital maintenance, environmental land management work required by Forest Service, and/or future code

compliance requirements from other regulatory agencies. Without detailed construction and work plans for the four proposed alternatives, establishing firm estimates at this time is difficult. Therefore these numbers are staff evaluations regarding future costs to rebuild and enhance Camp and to implement the work required by the Forest Service. Furthermore, some of the proposed work may be done by Camp volunteers, like the Friends of San José Family Camp, which is a non-profit support organization, therefore lowering the overall costs for infrastructure repairs.

Alternative 3, the enlarged dining hall/nature center building, is the project that is being analyzed by David J. Powers and Associates to determine any significant environmental impacts associated with the proposed capital projects under both the National Environmental Policy Act of 1969 (NEPA) and the California Environmental Quality Act of 1970 (CEQA). Alternative 3 was selected as the preferred Alternative in the Master Plan, because it provides the greater seating capacity in the dining hall. Alternative 3 also has the greatest impacts on the environment of the three alternatives to continue the operation of Camp. Alternative 1 and 2 would stay within the existing footprint of the dining hall. Alternative 3 would provide an enlarged footprint and the most useful information regarding environmental impacts, which the two other alternatives could be built under. Once the environmental review process is completed, staff will negotiate with the Forest Service for a defined list of proposed projects that will be noted in the future Master Development Plan for Council's consideration and approval along with a Special Use Permit/Land Lease Agreement, if required.

One part of the 2010 Council request was to amortize the cost of needed capital repairs over a period not to exceed 10 years, which includes the establishment of a sinking fund to address the other anticipated and unanticipated needs of Camp in the future. The estimated capital costs to repair and/or enhance Camp facilities over the next 10 years significantly exceeds additional revenues that would be obtained from annual camper fees as noted in the chart below. Such an increase could overprice Camp in the market place compared to other rustic tent family-oriented camping facilities. The 2011 adult fee for the City of Berkeley Camp is \$96 per night for residents, San Francisco's Camp Mather is \$79, and the Lair of the Golden Bear Camp is \$110.

Capital Alternative	Capital & Environ. Land Mgt. Work	Adjusted (Needed) Capital Costs (1)	Adult Camper Fee w. Capital Costs (2)		Camper Fee w. Cap. & Indirect Costs (3)	
			10 Yr. Period	20 Yr. Period	20 Yr. Period	20 Yr. Period
Alt. No. 1) Status Quo Repairs & Environmental Land Management Work	\$9,840,000	\$8,490,000	\$137.00 96% Increase	\$108.85 55% Increase	\$154.50 121% Increase	\$126.35 80.5% Increase
Alt. No. 2) Same footprint for a new 2 Story Dining Hall & Nature Center (4)	\$14,940,000	\$13,590,000	\$177.30 153% Increase	\$129.00 84% Increase	\$194.80 178% Increase	\$146.5.00 109% Increase
Alt. No. 3) Enlarged footprint for a new 2 Story Dining Hall & Nature Center (4)	\$16,260,000	\$14,910,000	\$187.70 168% Increase	\$134.20 92% Increase	\$205.20 193% Increase	\$154.70 121% Increase

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Alt. No. 4) Closure of Camp (Removal of Improvements) (5)	\$15,950,000	NA	NA	NA	NA	NA
Alt. No. 5) New Ownership	Unknown	NA	NA	NA	NA	NA

1. Proposed Capital and Environmental Land Management Work over a 10 year period per Council request of March 2, 2010
2. Rate increases from the 2011 Adult City Resident Fee at \$70.00 per night with three meals to cover the proposed capital costs.
3. These rates do include funding to capture the \$17.50 for indirect Camp costs to the Adult City Resident Fee.
4. Includes all of the work in Alternative 1
5. Over a shorter time period to be negotiated with the U.S. Forest Service

The “Capital & Environmental Land Management Work” column in the chart includes program level funding estimates to upgrade the facilities over a 20-year period. These amounts include a contingency fund and the annual costs associated with the environmental land management work. The “Adjusted (Needed) Capital Costs” column represents a reduction to the overall capital costs associated with future contributions and environmental land management work to take place after year 10. This reduction is carried to the 10 year camper fee adjustment amount regarding fee rates needed to fund the proposed capital work and the environmental land management work within the first 10 years.

The City could place a \$20 capital surcharge on each tent rental per night during the summer season and \$20 per weekend tent rental for the pre- and post- seasons to augment the capital costs to rebuild and improve Camp facilities. Such a fee could generate approximately \$66,000 per year, which could fund the required environmental management work by the U.S. Forest Service, and some minor capital repairs and enhancements as part of a capital reserve fund.

Currently, the Camp lease payment to the U.S. Forest Service is funded from the Citywide Park Fund in the Capital Budget, which derives its funds from PRNS share of the Construction and Conveyance Tax (C&C). Family Camp is named in Section 4.55.420 of the San José Municipal Code as an allowable expenditure of the Citywide C&C Park funds. If revenues permit, the City could transfer future lease payments as a direct program cost to be paid from camper fees. The City could use the current Citywide Park Fund contribution of \$54,000 for the lease payment to establish a capital reserve fund for Camp, which would generate over \$1,000,000 during the next 20 years.

Based on the above analysis, it is highly unlikely that Camp could generate the necessary income through user fees to fully fund all future capital costs, even in the lowest cost alternative (Alternative 1- status quo). To replace the existing Dining Hall in Alternative 1 with a one story building is estimated to cost \$4,000,000. A current ongoing source of funding in the City eligible to be spent at Camp is the C&C funds associated with Citywide Park Fund. It is important to note that from Fiscal Year 2011-2012 to Fiscal Year 2012-2013, the Citywide C&C Park Fund is only estimated to generate approximately \$360,000 in additional revenues over ongoing anticipated expenses and there are many competing priorities for this funding. At 46.8 acres, Camp is only 2.5% of the City’s citywide park acreage and the Citywide C&C Park Fund is also the only funding source available for infrastructure repairs to other citywide parks such as Guadalupe River Park & Gardens, Happy Hollow Park & Zoo, and Alum Rock Park. In addition, the City Council could consider using C&C funds allocated to specific council districts to help with the long term capital needs. However, as a result of declining conveyance taxes over the past several years,

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approximately half of the council district C&C funds are spending more money annually than they are taking in. This has not become an issue yet because of positive fund balances generated during the early part of the last decade; however it is a long term problem for the fund. Staff will be proposing a correction to this issue as part of the FY 2012-2013 budget process. In the meantime, these funds are not able to provide ongoing support for Camp's capital needs. Ultimately, in order to fund necessary capital improvements under any alternative at Camp, the City would need to seek alternative funding to defray the capital costs through a capital surcharge on tent rentals, grants, donations, a fund raising campaign, and/or other capital fund development strategies.

On September 7, 2011, the Parks and Recreation Commission heard a presentation from staff and public testimony from 12 individuals on Family Camp. The Commission has scheduled Family Camp for its November meeting to advise the City Council of its recommendation on whether or not the City should operate Camp as a City program with seasonal staff.

On September 8, 2011, the Neighborhood Services and Education (NSE) Committee (Committee) heard a presentation from staff on Family Camp and public testimony. Staff received input from the public and the Committee to improve the Family Camp marketing campaign, registration procedures, along with its interpretive offerings. The Committee requested the analysis to include the City's indirect costs information, which is noted in the above tables. Indirect costs are placed against City personnel wages only that are associated with a program. The indirect cost is estimated at 68.62% for 2011 for PRNS' programs, which is derived from the Department's administrative costs and non-personal costs, as well as the PRNS share of all support department costs, compared to the Department's personnel wages without benefits. This rate changes each year to facilitate the overhead costs for a program. The indirect cost increase to Family Camp expenditures based on the 2011 rate could be approximately \$2,200,000 over a 10 year period. This would require a 25% increase to all camper fees just to cover indirect costs. If the City were to use a third-party vendor to operate Camp, the indirect cost factor assessment against Camp would be substantially reduced. The Committee also requested staff for expanded exploration of exit strategies. The Committee did not express support for out-right closure of Camp, but rather to engage other entities in operating Camp.

Exit Strategies

Another part of the 2010 Council request was to consider exiting strategies for Camp.

A different exiting strategy not considered in the Draft Master Plan, is for the City to sell its interest in the Camp improvements to another entity, subject to U.S. Forest Service approval. Because the City is not authorized in its Special Use Permit/Land Lease to transfer its interest in the agreement associated with Camp, this option would require negotiation of a new Special Use Permit/Land Lease with the U.S. Forest Service by the new entity to lease and operate the Camp. The outstanding issue here is whether or not there is another entity interested in owning the improvements and operating Camp, which would be determined through a bidding process.

An alternative strategy is for the City to operate the Camp through a concessionaire and/or other partners. Such a partnership could relieve the City from the day to day operation of the Camp and its associated seasonal cost liabilities. This option is similar to other City's facilities under the

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Community Center Reuse Policy. This option would hinge on the City ability to obtain a new Special Use Permit/Land Lease from the U.S. Forest Service.

The last strategy is the direct closure of Camp, which would require the removal of the existing improvements and restore the site to a natural state by the City as outlined by the current agreement with the U.S. Forest Service. If the City fails to remove the Camp structures and improvements, then such structures and improvements shall become the property of the United States. The failure to comply with this condition in the agreement will not relieve the City of its liability to pay for the removal of the improvements and to restore the site. Such restoration work would include regrading the site to remove the appearance of any roads and pathways, along with all building pads, the river retaining walls, and the sewer pond. Staff has provided a program estimate for this closure option at just under \$16 million. This cost is within the range to repair the Camp facilities; however, the timeframe for such expenditures is likely reduced for the closure option.

Staff Conclusion

On or before December 31, 2011, the City is to inform the U.S. Forest Service of City Council's action regarding the future operation of Camp. Based on the current financial situation of the City, staff recommends the option to either sell its interest in the Camp improvements and discontinue Camp as a City program, or operate Camp through a third party concessionaire similar to other City's facilities under the Community Center Reuse Policy. The latter option will require the City to renew its Special Use Permit/Land Lease with the U.S. Forest Service. If the City is unable to sell its interest in the Camp improvements, or operate Camp through a third party concessionaire, it may result in the City being required to remove the Camp improvements and return the site to a natural state. The costs to remove the improvements are in the range to repair Camp, but the timeline for the removal of these improvements is likely reduced. Therefore, staff is proposing to discontinue its operation of Camp beginning with the 2012 season and take the necessary actions to sell Camp within the next 19 months.

EVALUATION AND FOLLOW-UP

If Council directs staff to move forward with the sale of the Camp improvements, the City should complete the Camp Master Plan and its associated environmental review as documents for the new owner to use in its negotiations for a Special Use Permit/Land Lease with the U.S. Forest Service. The Draft Master Plan is posted online at <http://www.sanjoseca.gov/prns/familycamp>. Staff anticipates the environmental review process for both CEQA and NEPA will take about a year. Staff would return to Council before July 1, 2013, with an offer to purchase the improvements. If the City is unable to solicit a buyer for Camp, staff would return to Council by September 1, 2013, with a request to add Camp to the facilities under the Community Center Re-Use Policy.

POLICY ALTERNATIVES

Alternative #1: City to continue the Camp program and repair and upgrade the facilities.

In 1967, the City Council acquired Family Camp from the City of Oakland to provide camping facilities for San José residents. Camp is a retreat from urban life, where campers of all ages can fish, hike, swim and participate in organized activities, interpretive programs, or just relax and enjoy the beautiful mountain scenery located near the northern entrance to Yosemite National Park. Camp also provides summer employment opportunities for the City's young adults.

Pros: Organization camps like Family Camp have played an important role in exposing children and adults to the natural environment. Such camps have provided an opportunity for children raised in metropolitan areas to gain an appreciation of the great outdoors. Such camps also allow the family to bond, grow closer, and build relationships as a family and with other families, neighbors, and friends. Through increases to fees, Camp is a program that can be 100% cost recovery for both direct and indirect operational costs. Furthermore, this program has an extremely high level of customer satisfaction as noted in the user survey results in the appendix to both the Draft Master Plan and the Business Plan. This recreational opportunity would not be lost for family enjoyment.

Cons: A major issue for Camp is the estimated expenditure of \$10,000,000 to \$16,000,000 over the next 20 years to renovate the existing deteriorating facilities and to implement the environmental work required by the Camp's landlord, the U.S. Forest Service, and other regulatory agencies.

Family Camp is competing for capital funding available for infrastructure repairs to other citywide parks, such as Guadalupe River Park & Gardens, Happy Hollow Park & Zoo, and Alum Rock Park.

Reason for not recommending: The estimated deficit amount of at least \$78,000,000 dollar for the 2012-2013 Fiscal Year will have a major impact on PRNS. The size of the proposed deficit makes clear that PRNS will not be able to offer all of its current programs next year. Therefore, the recommendation to close Camp and sell the improvements to another entity allows the City to save operational funds and release our land restoration obligations. This would relieve the obligation of the City to operate Family Camp in the Stanislaus National Forest, which is approximately a two and half hour drive east of the City, and focus on infrastructure repair work on other regional facilities within the City limits.

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

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Community group that requires special outreach. (Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)

In September 2010, PRNS mailed out approximately 3,115 surveys to Camp patrons including contacts and members on the Friends of San José Family Camp's mailing list. The City received over 640 surveys for a return rate of 20.5%. Based on the survey results, 98% of the responders would like the City to keep Camp opened and 94% will attend Camp in the future. The survey results are in the appendices to both the Draft Master Plan and the Business Plan.

On August 8, 2011, PRNS posted the Draft 2010/11 Master Plan and 2011 Business Plan for Camp on its website and an email notice was sent out informing many of those who participated in the 2010 Camp survey of the posting of the Draft Master Plan and the upcoming meetings.

On August 30, 2011, PRNS conducted a community meeting on San José Family Camp at the Almaden Community Center. This meeting was attended by approximately 38 supporters of Camp. Councilmembers Pyle and Oliverio were also in attendance. This was an informational meeting to update the community on the actions taken by the City regarding the proposed 20-year Special Use Permit/Land Lease to operate Camp and to comply with City Council directions of March 2, 2010.

Notice of the community meeting was posted in the San Jose Mercury News, El Observador, and Metro newspapers. A notice was posted on the PRNS web-site regarding the community meeting, and a notice was given to the Friends of San José Family Camp. An email notice was sent out informing many of those who participated in the 2010 Camp survey.

Staff has attended the monthly meetings of the Friends of San José Family Camp, our partner in making Camp a reality for San José residents to enjoy a family-oriented sierra camping experience.

A notice of this Council meeting was sent to San José registrants on the Camp's mailing list.

COORDINATION

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

FISCAL/POLICY ALIGNMENT

The Mission of PRNS is to build healthy communities through people, parks, and programs.

BUDGET REFERENCE

This year's operational costs for Family Camp are associated with Appropriation 0641 for Personal Services and 0642 for Non-Personal/Equipment for PRNS within the Operating Budget. The current lease payment and minor capital funding are identified in Capital Fund 391- Citywide Park Fund. Funds associated with Camp are approved through the annual budget process.

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CEQA

Not a project, File No. PP10-069(a), Staff Reports.

/S/

JULIE EDMONDS-MARES

Acting Director of Parks, Recreation and
Neighborhood Services

For questions please contact Steve Hammack, Deputy Director, at 408-793-5579.

Please see www.sanjoseca.gov/prns/familycamp for the documents noted in this report.