



Regular Meeting
of the
San José
Making Government Work Better Committee
held
Thursday, September 15, 2005, AT 01:31

g. **Update on Northside Community Center Operations (PRNS)**

Sara Hensley, Director of Parks, Recreation and Neighborhood Services, presented the staff report reiterating the 18-month work plan. Since the assignment by Council, Sara Hensley has met two times with the Executive Director and has attended one of their Board meetings. Sara Hensley presented a detailed list of items that was requested by PRNS from Northside in order to evaluate the assignment by Council, a handful of which has been received to date. Sara Hensley met with the Board members to discuss compliance with Council's request and how the facility was operated, the Board did voice interest in working with PRNS. Staff has offered support to facilitate anything that is needed to occur and to help them to improve operations at the facility.

Gerald Silva, City Auditor, presented a cash flow analysis for Northside. Staff experienced difficulty preparing the analysis due to little information received for 2005-06. Information for FY 2004/05 raises serious concerns about fiscal viability of the entity. An operating loss of \$73,000 was incurred for 2004-2005. Based on the balance sheet information they have maxed out \$50,000 line of credit. Staff has issues about the cash balance situation. In addition, revenues for this year will be down \$100,000 from the City of San Jose. They will also not be receiving a \$100,000 grant from the State of California that they received in the previous year. They have a plan to raise \$150,000 internally with their own fundraising activities. However, as of this date, staff is only aware of their ability to raise only \$2,000. Their operating expenses for last year were \$611,000 with the vast majority of that being personal services. Given their current revenue situation, they will not be able to continue to be a viable operation unless they significantly reduce their expenses. That will only exasperate the problem audit as there will be less ability to provide services and programs.

Sara Hensley said there are significant issues with programming and operations and the amount of programs that are being offered and the opportunity to generate any operating dollars to keep it viable. There are serious concerns about facility operations.

Member Cortese asked if there is a need to present cash flow reports more often than

quarterly.

Gerald Silva responded that reports will be presented as circumstances warrant. Once information is received, if staff believes that there are significant and serious concerns about their ability to function as a going concern, those concerns will be reported to the Committee immediately.

Member Cortese asked if we now have a contract or is it outstanding?

Sara Hensley responded that there is a month-to-month contract that ends in December 05. Staff is working with the Attorney's Office on a more detailed requirement-oriented contract and sending it forward to the City Manager's Office within the next couple of weeks. This new contract will be presented to the City Council and the Northside Community Center Board and will replace the current contract scheduled to expire in December 2005.

Member Cortese asked that as soon as the contract is ready to be presented to Rules that the entire City Council be made aware.

Member Cortese suggested two areas on the programming side where staff could be helpful. One is the programming and entities to come in as a informal sub-operator.

Sara Hensley responded that this suggestion was made to the Board of Director of the Community Center. The Filipino Youth Coalition offered to come onto the site. The Board decided not to accept that offer at this time. Suggestion was made to the Board of Directors that they look outside of the their own realm of programming ability. Suggestion was also made to apply a survey program as to the types of programs for the community. Distribution would span over a five-mile radius including those who live in that building. These should be matched up with services or entities, non-profit groups, that could offer programs and/or charge a fee and provide services. PRNS offered assistance of opportunities and also mentioned factors of "threats" on being able to continue operation.

Member Cortese stated that he personally endorses everything Sara Hensley has said in terms of encouragement in that regard. To start cutting losses, Northside Community Center, in the interim, should consider the highest and best use of their facility. Due to the critical financial side, it is not time to start turning away opportunities to provide revenue in a highest and best use to start cutting losses. Lastly, governance issues raised in the June Committee meeting by people who spoke that addressed Council's direction that staff assist in that as much as possible with a disclaimer source that the City has no ability to direct governance issue in a non-profit.

Gerald Silva responded that the report reflected governance issues, especially as it concerns the Board of Directors and their interaction with the Executive Director. The Auditor made a number of recommendations in that area.

Sara Hensley provided an extensive needs list. Staff will assist the Community Center with basic programming and scheduling. Information on outsourcing of the facility for either rentals or cooperative programming efforts was offered by PRNS. A needs survey is required to know what the pulse of the community is and their

programming needs. Neighborhood Development Center services was offered to assist with the survey. Sara Hensley said in a letter given to her by Ben asked for assistance in the financial controls and accounting procedures and Sara Hensley will be working on this.

Member Ken Yeager asked how the additional information currently received to date will change what has been reported at this meeting.

Gerald Silva responded that staff found nothing from a financial aspect that was for 2005/2006. That information from the Community Center is still pending.

Sara Hensley added that from a program perspective, some of the information is incomplete. There are many open hours in the calendar of events. Because of the budgeting concerns, cuts in staffing contributed to the lack of calendar of events. A complete overhaul of who is doing what, what programs are needed, and how they should be staffed. What kinds of fees are attached to the program? Is there a sliding scale?

Member Yeager asked what the process is and how are the monies are dispersed?

Sara Hensley responded that anything that will move in a positive direction and the overall spirit of the issues related to monies and the audit which shows difficiencies in the area of how money was handled with the grant would be accepted. The year missing is 2005-2006 with operation in a difficit mode. How long can the facility stay viable and offer good programs to the commmunity, given the current financial situation?

Member Yeager asked for the status of PRNS staff to work with the Community Center to engage the services of a firm with experience in non-profit management and consulting to train the Board Members on appropriate Board/Director oversight and implementation of policies and procedures.

Sara Hensley responded that there has been training information sent out through the Neighborhood Development Center and to the Board Members and offered to connect them to the SJSU program in training or the San Francisco program. Cynthia Borgus is working on a program that the Board will agree upon.

Member Yeager asked if the services of a professional accountant bookkeeper has been provided to the board with regular evaluation and oversight.

David Moreno, City Auditor's Office, responded that they have had an external auditor, accountant and bookkeeper. That function has been provided.

Member Yeager added provisions should be made to allocate funds from the organization's budget for these accounting services as permissible.

Sara Hensley responded that staff has offered and will continue to offer and extend services. A staff member will be assigned to review the Center's financial process and procedures as well as review programmatic issues.

Member Yeager added continuous progress is the objective.

Gerald Silva added that the Audit Report made several recommendations including the number of checking accounts and limiting the number of transactions between these checking accounts, performance measurement reporting and identifying problems, and recommendations to improve upon that reporting process.

Member Lizotte said the Center does not have the resources coming in to be successful. There is no mechanism in place to go after the funds needed to run Northside. Resources are not in place to make progress. There is a need for effort outside of government subsidy whether it is the state, federal, city, county. Other resources are needed for Northside to be successful. There is concern about the direction that this Center is taking. The community must step forward to solve the current issues of the Northside Community Center. The next report should come in on the financial side.

Sara Hensley said the financial issues are presenting impossibilities on a programmatic or a facility operations point to have staff operate the facility and generate revenue to cover the cost of the deficit that currently exists.

Chairperson Reed finds the lack of information in the report disappointing. Report back to this Committee in October to include the cash flow and operations status. Include in the analysis how much of the resources of the FilAmCDC being spent on the building? How much is being spent on maintaining the building as opposed to programming? Member Reed cannot support a new contract based on the information and lack of information currently received.

The Committee heard comments from the public.

Motion was made to include the recommendation and to return to this Committee in October 20, 2005 to include comments in terms of request for information and direction.

Upon motion of Councilmember Lizotte, seconded by Councilmember Yeager, the Committee recommended that staff report back on October 20 with a financial analysis of cash flow and operations, and cost of maintaining the building as opposed to programming.

a. **Quarterly Debt Report (Finance)**

Upon motion of Councilmember LeZotte, seconded by Councilmember Yeager, the Committee accepted the report.

b. **Quarterly Investment Report (Finance)**

Upon motion of Councilmember LeZotte, seconded by Councilmember Yeager, the Committee accepted the report.

d. **Extension of Vehicle Replacement Freeze (Auditor)**

Upon motion of Councilmember LeZotte, seconded by Councilmember Yeager, the Committee accepted the report.

e. **2005-06 Marked Patrol Sedan Budget Reduction (Auditor)**

Upon motion of Councilmember LeZotte, seconded by Councilmember Yeager, the Committee accepted the report.

f. **Public Works Contract Streamlining Policy Recommendation (PublicWorks)**

The Committee accepted the report unanimously. Report will be cross-referenced for Council at a later date.

c. **Request for Proposal Procedures and Other Procurement Reforms (Finance) (Deferred from June 2005)**

Scott Johnson, Director of Finance, requested deferring this item. Due to loss of quorum, the presentation on this item was not able to be completed. It will be scheduled for October. Kay Winer, Deputy City Manager, recommended that should this item be brought back in October, that the Airport's Marketing and Usage at the Compressed Natural Gas Facility be deferrred for a month.

h. **Oral Petitions**

The Committee heard comments from the public.

i. **Adjournment**

The meeting was adjourned at 3:50 p.m.

By:

- Chair

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