

APPROVED
JUN 27 2013

REPORT OF GENERAL MANAGER

NO. 13-179

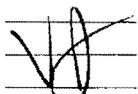
DATE June 27, 2013

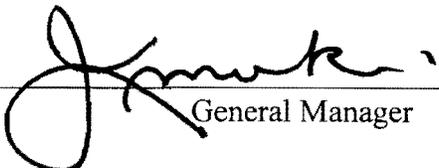
BOARD OF RECREATION
AND PARK COMMISSIONERS

C.D. All

BOARD OF RECREATION AND PARK COMMISSIONERS

SUBJECT: COST RECOVERY REIMBURSEMENT FEES FOR ORGANIZATIONS
OPERATING AT DEPARTMENT OF RECREATION AND PARKS OWNED
FACILITIES

R. Adams		K. Regan	_____
H. Fujita	_____	M. Shull	_____
*V. Israel	_____	N. Williams	_____



General Manager

Approved _____

Disapproved _____

Withdrawn _____

RECOMMENDATIONS:

That the Board:

1. Direct staff to collect the appropriate Cost Recovery Reimbursement Fees for utilities, solid resource disposal (trash), and staff impact from organizations operating on Department of Recreation and Parks (RAP) park property which have exclusive use of RAP-owned facilities, pending execution of new written agreements; and,
2. Direct the General Manager to send written notice to existing organizations informing them of existing Policies requiring the payment of Cost Recovery Reimbursement Fees in accordance with approved Fee Schedules, and requiring that such payment(s) commence July 1, 2013, to continue until written agreements are approved by the Board and executed.

SUMMARY:

Over the past several years, Citywide services which had previously been provided to all City of Los Angeles (City) departments have been allocated against the individual department budgets. In Fiscal Year (FY) 2012-13, RAP's funding was reduced by approximately \$43 million dollars to account for the cost of utilities, trash disposal, and employee overhead. In FY 2013-14, RAP's funding is expected to be reduced by approximately \$50 million dollars.

Due to these reductions, RAP no longer has the capacity to subsidize certain operating costs of private organizations operating on park property and must now recover those costs attributed to such organizations allowed to operate on park property. Private organizations which are currently not

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paying cost recovery reimbursement fees further reduce RAP funding which would otherwise go towards maintenance and/or recreation programs.

The reimbursement of direct costs was established as a fundamental requirement when the Board approved the "Board Policy on Partnerships" in October 2009 (Board Report No. 09-261). Accordingly, one of the goals of the Partnership Division has been to ensure that RAP facilities operated by private organizations on a primary use basis or shared with RAP staff, have current agreements which require the organizations to assume all, or at a minimum their pro-rata share, of the cost to maintain and operate the facility. This effort has included development of Cost Recovery Reimbursement Fee Schedules for Utilities, adopted by the Board on July 13, 2011, (Board Report No. 11-202), Solid Resources (trash collection), adopted February 1, 2012 (Board Report No. 12-028), and Staff Impact, adopted July 19, 2012 (Board Report No. 12-217). Using these Schedules, staff has succeeded in collecting cost recovery reimbursement in all new agreements.

The Partnership Division has identified various facilities and parks in which private non-profit organizations have operated for multiple years on an exclusive basis with no reimbursement to RAP for direct costs associated with utilities, trash, and staff overhead; and, which at present do not have updated agreements. Staff has contacted the organizations to initiate discussions regarding agreements for their continued use of park property, and has requested information regarding such use in order to: 1) review the current operations; 2) ensure compliance with existing or expired agreements or permits; 3) ensure the operation meets RAP's goals and objectives in accordance with RAP's Mission; and, 4) to determine the most appropriate course of action (e.g., short-term agreement, long-term agreement, or solicit proposals for a potential new operator).

Staff has experienced difficulty in obtaining information from certain organizations, and in some cases has had to make several written demands. Upon obtaining and reviewing information from various private organizations, staff has found:

- Organizations have existed on-site for decades and are not accustomed, organized or willing to assume all costs to maintain and operate the facility or park space they are using; this includes the payment of any Cost Recovery Reimbursement Fees.
- Organizations have strayed from the original intent of meeting RAP goals and objectives, instead making the organizations' goals and objectives the priority.

The Partnership Division is currently in discussions with several organizations and has experienced delays in finalizing the terms of the proposed agreements. Despite not having a current agreement in place, staff recommends that private organizations operating on park property be required to pay all costs associated with their operations while discussions are concluded and until new agreements are executed.

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In cases where costs associated with utilities and trash can be paid directly to the service provider (Department of Water and Power, Public Works Bureau of Sanitation or private company), the organization will be required to establish applicable accounts for such direct payments. In cases where there are no individual utility meters servicing the facility or park space used by the organization, or such area is shared with RAP staff, Cost Recovery Reimbursement Fee Schedules will be utilized for the Partnership Division's collection of direct cost reimbursements. The fee amounts in these Schedules are estimates, primarily intended for shared-use agreements and therefore are a proration of the actual costs accounting for the size of the premises, number of buildings, allowed days of use, frequency of use, and specific operations.

Example: An organization operating a facility and surrounding grounds on an exclusive basis will be charged approximately \$368.00 per month (\$4,416.00 annually) for Cost Recovery Reimbursement until a new agreement is executed. The cost consists of: \$101.00 per month for utilities; \$72.00 per month for solid resources disposal; and, \$195.00 per month for staff impact.

Upon approval of this Report, the General Manager will send written notice to the organizations, requiring them to pay the applicable cost recovery reimbursement fee(s). As staff progresses, additional organizations operating at RAP facilities will be notified of the requirement as they are identified and contacted. The organizations will be informed that the interim fees may be adjusted in the proposed agreements to more accurately reflect their actual usage based on a review of the operation.

Should the organizations refuse to reimburse RAP for utility, solid resource disposal, and staff overhead associated with their use of park property, and/or fail to enter into an agreement for the continued use of such property, staff will consult with the City Attorney to determine the appropriate course of action, including the possible termination of the existing agreement or permit, and removal of the organization from the property.

FISCAL IMPACT STATEMENT:

It is anticipated that revenue generated through the collection of Cost Recovery Reimbursement Fees from private organizations operating on park property will generate funds necessary to reimburse the RAP General Fund for utility, solid resource disposal, and staff overhead costs incurred by RAP as a result of operations conducted on park property by private organizations.

This report was prepared by Vicki Israel, Assistant General Manager, Partnership and Revenue Branch, and Joel Alvarez, Senior Management Analyst, Partnership Division.