

# **Blue-Ribbon Committee Report to the San Marino City Council Recommendations for the San Marino Recreation Department**

October, 2018

---

## **BACKGROUND:**

Earlier this year the Recreation Department and Recreation Commission were asked by the City Council to ‘re-envision’ the Department and come up with recommendations on how the department could better serve the residents of San Marino while not increasing the City’s current financial support of the Recreation Department, RD. There was a public hearing at a Recreation Commission meeting and the issue was also discussed at a City Council meeting with public comment. For various reasons, the current RD leadership, Recreation Commission and City Staff did not envision a different path for the RD. The Commission and Department did not offer recommendations or a plan, so the Council appointed a Blue-Ribbon Committee, BRC, to “do a deep dive into the Recreation Department, looking toward revising revenues, cutting expenses, and advertising to the community, and set a goal post of how much the City should spend out of its tax revenues, and return to the City Council with recommendations.” (City Council Meeting Minutes, June 13, 2018)

The members of the Blue-Ribbon Committee are:

Steve Talt, Mayor

John Chou

Jennifer Kurumada Chuang

Anna Marie Grizzel

Liz Hollingsworth

Brady Onishi

Ken Ude, Councilman

## **POSITION OF THE BLUE-RIBBON COMMITTEE:**

The Blue-Ribbon Committee is unanimous in its opinion that the Recreation Department has an important role in making San Marino a special community for families, from early childhood through retirement. One of the primary reasons people live in San Marino is the desire to raise their children in an environment that is conducive to their healthy development and to position them for future success. They move here because of the schools, and they stay because of the community. The vital role that the RD can play in creating a sense of ‘community’ has been undervalued and underexplored - preschool, before/after school programs, adult and senior programs have tremendous potential, provided that they are successfully promoted and executed. The Recreation Department is a diamond-in-the-rough, and we should recognize its true value by doing what it takes to make it shine.

The process for the BRC has been challenging because the Committee has not been able to obtain key operational data that would bring clarity to creating better policies and practices. However, the Committee’s research shows that the Recreation Department can, and must, operate in a more efficient and fiscally responsible manner.

## KEY ISSUES

The BRC identified the following key issues that must be addressed in order for RD operations to be more efficient and fiscally responsible.

- **Leadership:** The RD is a small division of the City. Its annual operating budget is approximately \$2 million, and effectively functions as a small business within the City. The current RD leadership, Recreation Commission and City Staff had not been tasked, nor empowered, with taking the leadership roles necessary to run a small business. The RD does not appear to have been data-driven in managing the RD and it is unclear to what extent there was any ongoing critical review of the results of prior programming in making decisions about future operations.
- **Finding the Balance Between the Total Cost of Operations and the Direct Benefits to the Community:** The overall cost of operating the RD versus the benefit to a majority of San Marino residents appears to be out of balance.
- **Overly Focused on Cost Recovery:** The financial focus has been on 'cost recovery', which does not consider the total financial impact of the RD. The total obligation of the City to the RD has experienced significant 'budget creep' over the years because of a flawed financial paradigm.
- **Unknown Course Profitability:** Financial information by course was not readily available and it did not allocate administrative costs to the individual programs.
- **Unknown Participation Statistics and Weak Data Collection Standards:** Participants were not tracked in a consistent and meaningful way to make programming decisions.
- **Lack of a Long-Range Plan:** The RD does not have a visionary plan to build on its potential, nor a consistent framework for evaluating past performance.

## THE IMPORTANCE OF RETAINING FLEXIBILITY

The BRC feels that it is important to retain flexibility in this re-envisioning process. Even though you will see recommendations and financial guidelines in this report, the BRC acknowledges that not all recommendations may be implemented and that the ongoing evaluation of change is necessary to determine subsequent action.

## HIGH-LEVEL RECOMMENDATIONS:

The Blue-Ribbon Committee grouped its recommendations into the following broad categories:

1. **Leadership** - Refine Leadership for the Recreation Department
2. **Operations** - Create Strategic and Operating Plans
3. **Programming** - Focus Programming on the Pyramid of Priorities
4. **Finances** - Follow a New Financial Framework
5. **Facilities** - Address the Facility Needs of Stoneman School

## RECOMMENDATIONS:

### I. **LEADERSHIP - Refine Leadership for the Recreation Department**

#### A. **Management and Staff**

HIGH PRIORITY

*The Recreation Department staff, under the leadership of the City Manager, should develop ideas and create and execute plans to improve the role the RD plays in the community. It is recommended that the City create a structure that gives the Department strong leadership.*

SPECIFICALLY, the leader of the RD:

1. Reports directly to the City Manager.
2. Is responsible for creating programs given the recommendations, below.
3. Is responsible for driving the process to create a strategic plan and an operating plan. These plans need to include sales, marketing and financial elements.
4. Is responsible for delivering the plan.
5. Has the organizational, leadership, marketing, and financial skills to effectively lead the RD.

#### B. **Empower the Recreation Commission**

HIGH PRIORITY

*The Recreation Commission should be re-established and empowered to provide direction to the RD:*

SPECIFICALLY, the Commission should:

1. Be trained on the role of the Commission as provided in City Ordinances.
2. Provide input to, and approve, the Recreation Department's long-term strategic and annual operating plans; see recommendations below.
3. Provide financial and programming oversight.
4. Make recommendations to the City Council regarding the role and future programming of the RD.
5. To accomplish the above, the BRC recommends that the RD Commission meet monthly for the first year to establish positive momentum and then meet at least bi-monthly or quarterly thereafter.

### II. **OPERATIONS - Create Strategic and Operating Plans**

#### A. **Planning**

HIGH PRIORITY

*The Recreation Department must define and publish its Mission, Vision and Values statements. It needs a financial and operating plan that meets the needs of our community.*

SPECIFIC RECOMMENDATIONS:

1. Create a 5-year strategic plan including a current-year annual operating plan.
2. Use a facilitator to create the plan, with the RD and the RC.
3. Invite the SMUSD and the Library to be a part of the planning sessions.
4. Invite members of the BRC to be a part of the process.

**B. Operations**

HIGH PRIORITY

*By nature, a smaller organization requires employees to function in multiple capacities. A more practical and clearly defined organizational structure can mitigate operational inefficiencies created by complex staffing schedules. Detailed job descriptions, with data-driven accountability metrics will create clarity in defining priorities, tasks, and duties for all members of the department.*

SPECIFIC RECOMMENDATIONS:

1. Create an Organization Chart for the RD that includes job descriptions and associated programs.
2. Create an operating and financial 'dashboard' to give visibility and transparency to the performance of the RD.
3. Explore the possibility of partnering with the Library, SMUSD and surrounding cities.

**C. Marketing**

MEDIUM PRIORITY

*The primary, and nearly sole, marketing effort made by the RD to advertise its programs and offerings has been the quarterly Recreation & Library Guide. Expanding services and enrollment will require a more thoughtful and directed approach to marketing.*

SPECIFIC RECOMMENDATIONS:

1. Create a marketing plan as part of the comprehensive Strategic Plan.
2. Address goals for all audiences in the marketing plan (young families, students/youth, teens, adults, seniors, City and SMUSD employees, non-residents)
3. Utilize connections with other city and school groups, such as City Club, Rotary, Chinese Club, and individual school PTAs to advertise programs, events, and RD offerings.

**III. PROGRAMMING**

**A. Focus Programming on the Pyramid of Priorities:**

HIGH PRIORITY

*Future programming should have the following priorities and should be done within the framework of the financial considerations, in Section IV.*

SPECIFIC RECOMMENDATIONS:

1. 1<sup>st</sup> priority for programs should focus on those that build “Community for the Community”, such as the 4<sup>th</sup> of July celebration, All City Track Meet and Memorial Day.
2. 2<sup>nd</sup> priority should be programs that build a sense of “Community for the Individual”, such as bridge, summer camp, free swim, senior trips, before/after school programs including enrichment opportunities for youth.
3. 3<sup>rd</sup> priority is for programs for the “Individual” with a benefit for the “individual”, such as yoga, aquatics and art.
4. Encourage non-residents to participate in our programs and increase their fees.
5. Continue to give San Marino residents priority to register for programs and increase their fees.

**B. Before and After School Program**

HIGH PRIORITY

*Child care before and after school hours is important to support parents in San Marino. SMUSD does not offer before/after school childcare programs at this time. Before and After School Programs should be improved, better integrated with contract class offerings, and rebranded.*

SPECIFIC RECOMMENDATIONS:

1. Develop a curriculum plan for Before and After School Programs
2. Create a financial plan based on competitive market offerings
3. Re-brand the program from “day care” to “child enrichment”.
4. Integrate programming with contract offerings.
5. Improve and increase marketing.

**C. Preschool**

HIGH PRIORITY

*The BRC spent a great deal of time evaluating and discussing the Preschool Program. If the preschool is going to continue, curriculum and facilities should be upgraded. This would require a paradigm shift with consideration about the appropriateness of Stoneman and the costs associated with its potential upgrade. There was discussion within the BRC as to whether the City should be in the preschool business and determining the potential of outsourcing this activity.*

*Committee member Jennifer Chuang has over 12 years of experience in operating early childhood education centers, and she presented five options for the Preschool Program with more detailed cost/benefit analysis of each option. The committee considered all options in its recommendations below.*

*Key facts include:*

- *Operating as an unlicensed program creates significant operational barriers to providing the services that would most benefit the young families and community of San Marino.*
- *Without administrative costs, the Preschool program is currently one of the only profitable programs for the RD, and further enhancement has the potential to generate revenue that could possibly support most other programs.*
- *The preschool program currently has the lowest resident-participation rates of any program offered by the RD.*
- *The facilities at Stoneman currently have limitations that make obtaining a child care license unattainable.*
- *Because of issues with the facilities, decisions about the preschool will require additional time and analysis of complex considerations, such as obtaining remodeling and upgrading cost estimates, before an optimal path can be determined.*

**SPECIFIC RECOMMENDATIONS:**

1. Obtain and evaluate estimates for renovation costs; see Section V.
2. Evaluate costs and activities needed to become a licensed preschool. The Preschool program is not currently licensed by the State. If it is to continue, it should be licensed. This would enable a full-day program to be offered, rather than the current half-day program, but this would require facility upgrades and a significant change in operations.
3. Once estimates are received at each level of investment, create a preliminary plan and budget for operating a licensed preschool program to determine viability, taking into consideration the different costs at each level of investment and analyzing the advantages and disadvantages of operating an in-house preschool versus outsourcing to a 3<sup>rd</sup> party.
4. IF the City of San Marino is to operate the preschool, create a 5-year business plan that:
  - a. Understands the competitive environment and prices the SM offering appropriately, including higher fees for non-residents.
  - b. Implements a high-quality, developmentally-appropriate, research-based curriculum, and make use of nationally accepted tools in bolstering quality environments and instruction to make the program more attractive to residents who expect high-quality educational environments from living in San Marino.
  - c. Surveys the current customer base to determine their needs, desires and concerns.
  - d. Gives priority enrollment to San Marino residents.
  - e. Improves and increases marketing.
5. IF the City of San Marino is to NOT operate the preschool:
  - a. Evaluate costs and activities needed to determine if the preschool could be operated by a 3<sup>rd</sup> party and who that might be.

- b. Take into consideration public and non-public options.
- c. Meet with the SMUSD to determine if they would be interested/willing to partner in providing the preschool.
- d. Issue an RFP for potential preschool vendors
- e. Identify other uses for the facilities, including renting to other community or business organizations.

**D. Managing Contract Classes**

MEDIUM PRIORITY

*Many RD programs are run by outside instructors. The BRC feels that these programs have a valuable role, but acknowledges the challenges of contracting with outside parties.*

SPECIFIC RECOMMENDATIONS:

- 1. Improve the management of the registration and refund process.
- 2. Create a consistent justification process for the addition and continuation of any course.
- 3. Evaluate each course, based on customer feedback and financial results, to determine if it should be offered in the future.
- 4. Give priority registration to San Marino residents.
- 5. Make sure that fees for courses are priced at market rates.
- 6. Increase fees for non-residents. The current pricing differential is inadequate.

**E. Coordinate Programming with the Crowell Public Library**

MEDIUM PRIORITY

*Both the Recreation Department and the Crowell Library offer programs, particularly for senior citizens. It is recommended that the City, improve offerings and avoid overlap and competing programs. This has potential to reduce overall costs to both departments.*

SPECIFIC RECOMMENDATIONS:

- 1. The Recreation Department and the Crowell Library should work together and coordinate their programs.
- 2. The City Manager should be responsible for facilitating this ongoing coordination and outcomes.

**IV. FINANCES - Follow a New Financial Framework**

**A. Finance and Budgeting**

HIGH PRIORITY

*For the past ~10 years the Recreation Department has operated on a cost-recovery basis with little consideration for the total financial support from the City. The cost recovery basis is not working. Both cost recovery and total financial parameters need to be considered when setting a budget for the Department.*

SPECIFIC RECOMMENDATIONS:

1. Financial Support: It is recommended that 1 percent of the City's tax base revenue and continued pass-through state funds be allocated to the Recreation Department as a starting point for base funding during the re-envisioning process. In 2018-19 this would be approximately \$250,000 in addition to pass-through funds, such as transit funding.
2. Create and follow a break-even budget, taking into consideration the financial support from above as part of total revenue.
3. Fees: critically assess if the current fee structure is adequate, specifically determining the ideal differential between resident and non-resident fees.
4. Refund Policy: Create and enforce a refund policy that takes into consideration the City's costs for administering a program. Only issue 100% refunds if the City cancels the class. If someone withdraws from the class in less than the determined number of days, charge a 20% cancellation fee.
5. Reporting: Produce program P&L's that fully allocate Department and City administrative costs to the programs.

**B. Reporting & Accountability**

HIGH PRIORITY

*Reporting and transparency are critical to any successful organization.*

SPECIFIC RECOMMENDATIONS:

1. Produce monthly operating and financial reports that include:
  - a. Monthly and YTD operating metrics
  - b. Monthly and YTD financial results
  - c. Program P&L's that allocate administrative costs across each program
2. Produce quarterly operating and customer service reports that include:
  - a. Enrollment, cancellation and participation data by program, age, and user classifications as listed below in Section C.
  - b. The results of customer satisfaction surveys conducted after each course/program
3. Include a financial model with a break down by course and by category.

**C. Tracking Customer Participation.**

MEDIUM PRIORITY

The Recreation Department has not been tracking users in a meaningful manner. We recommend tracking the following data about program participants, by program:

SPECIFIC RECOMMENDATIONS:

1. San Marino residents
2. Qualified Participants (ie: City employees, those who attend SMUSD schools)
3. Non-residents
4. Participants by age: infant, youth, adult, senior

V. **FACILITIES - Address the Facilities Needs – Stoneman School**

HIGH PRIORITY

*A long-term plan must be developed for Stoneman to help determine if, and how, the Recreation Department might fit into the long-term role of its use. During the BRC's process, it was learned that Stoneman does not currently satisfy fire safety requirements to operate a child-care and after-school program. It is understood that the costs of the upgrade of Stoneman may impact long-term programming.*

**SPECIFIC RECOMMENDATIONS:**

1. Obtain and evaluate estimates to assess the cost of:
  - a. Minimal upgrades (fire safety, seismic retrofit).
  - b. Moderate upgrades (HVAC, plumbing, some structural/outdoor).
  - c. Significant upgrades (all of the above + ADA compliance) is not recommended by the committee but can be explored if Council so chooses.
2. Since not all upgrades are immediately required, look at upgrades in phases.
3. Meet with the SMUSD and the Chinese Club to see what their use of Stoneman might be.
4. Conduct a thorough study to determine what other potential users, and the potential income, might have an interest in using Stoneman, such as churches, other schools and youth organizations.