

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Jon Cicirelli
Jim Shannon

**SUBJECT: PRNS FEE COST RECOVERY
LEVELS AND TITLE I
SCHOOL PROGRAMMING OPTIONS**

DATE: June 2, 2022

Approved



Date: 6/2/2022

RECOMMENDATION

Within the 2022-2023 Proposed Fees and Charges Report in the Parks, Recreation and Neighborhood Services Department section, approve a change in categorization of “Family Camp” and “Fee Classes/Activities” for child and youth-serving activities from Category I to Category II and establish these programs as “Merit Services” as defined in City Council Policy 1-21, Pricing and Revenue Policy.

BACKGROUND

City Council’s approval of the Mayor’s March Budget Message for Fiscal Year 2022-2023 included a memorandum from Councilmembers Arenas, Esparza, and Carrasco directing the Administration to issue a Manager’s Budget Addendum (MBA) that “proposes technical changes to align the Parks, Recreation and Neighborhood Services Department’s (Department) recreation services’ budget policies with Budget Balancing Strategy Guideline #2¹ and citywide equity policy goals, while de-emphasizing strict cost recovery policies for childcare, afterschool care, and aquatics programs. This effort aligns with ongoing policy work, as presented to the Neighborhood Services and Education Committee, as well as the Child and Youth Services Master Plan², currently in development.”

¹ Mayor’s March Budget Message for Fiscal Year 2022-2023 (Page 25):

<https://sanjose.legistar.com/View.ashx?M=F&ID=10636394&GUID=9E42A321-DCA7-46C5-8977-C625CE29B20E>

² Memorandum from Councilmembers Arenas, Esparza, and Carrasco:

<https://sanjose.legistar.com/View.ashx?M=F&ID=10648340&GUID=0134D637-8DFC-41AF-8A05-06225FA5E468>

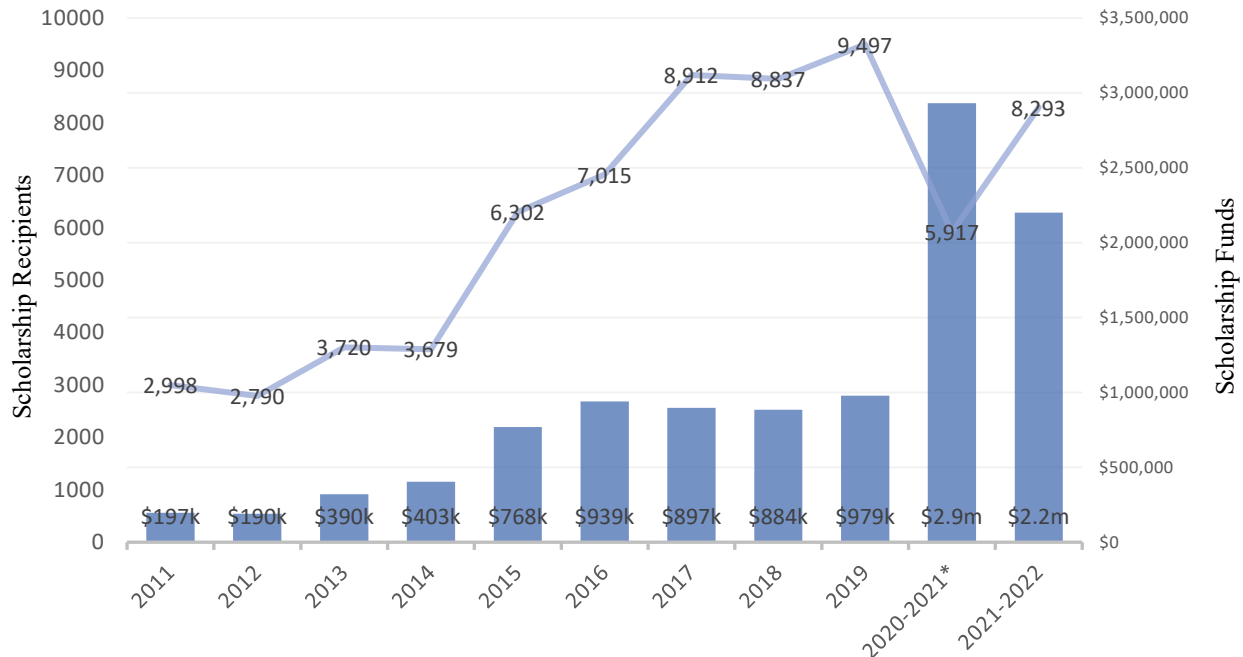
In addition, at March 25, 2022, Joint Special Meeting of the City Council’s Neighborhood Services and Education Committee and Committee of the Whole and the County of Santa Clara Children, Seniors and Families Committee, the City Manager was directed to furnish a MBA regarding the “cost to expand recreational hours and options to supplement and fill the gaps for Title 1 schools through the City of San José” and subsequently refer it to the budget process.”³ This MBA responds to the direction received both from March Budget Message and the Joint Special Meeting.

These directives align with the discussions and actions that have occurred throughout the pandemic, especially around the Department’s expansion of programming to support families in need of children and youth services. This effort has been significantly assisted by the City’s receipt of federal funding, which has been used to ensure no-cost access to childcare services to families that qualify since the outbreak of the pandemic. Most recently, City Council approved \$10.5 million from the American Rescue Plan (ARP) Fund to support children and youth-focused programs and services beginning summer 2022 – continuing programming at no cost to those most in need. This one-time funding allocated for 2022-2023 allows the Department to provide full scholarships for R.O.C.K. afterschool, San Jose Recreation Preschool, and camps for youth outside of school hours and will provide free recreation swimming for approximately 6,650 participants and swim lessons for 600 participants. In addition, leisure programming will be expanded and programmed at identified Equity Priority Communities at no cost to qualifying families.

In considering the issue of access, the growth in scholarship allocations has been a key emphasis in the City’s continued pursuit of programmatic expansion. For reference, Chart 1 shows the Department’s progression in adding scholarship funding over the last 11 years, including the number of scholarship recipients for each year, that also coincided with the Department’s steadily increasing revenue generation during this same time period, ending with efforts to deliver emergency response services during the COVID-19 pandemic. Specifically, in 2020-2021 a significant increase in available scholarship dollars is shown due to the City’s use of both General Fund and federal funding sources, including Coronavirus Relief Fund (CRF) and Community Development Block Grant funding. Scholarship support will continue in 2021-2022 and into 2022-2023 with the further assistance of the American Rescue Plan Fund.

³ https://sanjose.granicus.com/MediaPlayer.php?view_id=52&clip_id=12978 (Referred at 1:53:40 in the recording)

Chart 1: Scholarship Awards History



*The most recent annual data is provided by fiscal year and reflects both the City’s base scholarship funding and federal funding. Both sources were collectively used to offer no-cost access to emergency programming for qualified families, albeit the number of scholarship recipients was at lower levels than in past years. The reason for this is that in 2020-2021, COVID-19 safety regulations significantly limited individual cohort sizes. In addition, the suspension of Aquatics and Leisure programming resulted in fewer scholarships, relative to normal years.

ANALYSIS

PRNS Fee Cost Recovery Levels

On June 16, 2009, the City Council adopted Council Policy 1-21, Revenue and Pricing Policy⁴. This policy was instituted in response to the City’s projected budget General Fund shortfalls as the City weathered the “Great Recession” that began in 2008. The policy was a mechanism for allocating the use of public funds, creating a revenue-focused approach for recreational services and facilities, maximizing the use of programs and facilities, and ensuring affordable access to programs and services. The Department has endeavored to deliver cost-recovery programming in accordance with market conditions, while at the same time working to ensure equity and access to the public. To that end, and in alignment with Policy 1-21, the City Manager or the Director of Parks, Recreation, and Neighborhood Services has set pricing in accordance with various guiding principles used to determine the degree to which programs are subsidized, including the designation of services as having either “Public”, “Merit”, or “Private” benefits to the community. Table 1 below presents the basic meaning of these designations.

⁴ <https://www.sanjoseca.gov/home/showpublisheddocument/12883/636669975490100000>

Council Policy 1-18, the Operating Budget and Capital Improvement Program Policy,⁵ includes guidelines, standards, and requirements for preparing and monitoring the Operating and Capital Budgets, including the fees in the annual Fees & Charges Report. The 2022-2023 Proposed Fees and Charges Report contains two main types of fees: Category I fees shall be set to cover 100% of the cost of service delivery, unless such amount prevents residents from obtaining an essential service; and Category II fees, which may be less than or more than 100% cost recovery if the City Council determines that other factors (e.g. market forces, competitive position, etc.) need to be recognized. While Public Services and Merit Services cannot exceed cost recovery levels, Private Services may exceed cost recovery levels (such as parking fees). As discussed in more detail below, nearly all PRNS fees are below cost recovery levels.

Each year, the targets proposed for the Department’s revenue-generating programs are reviewed and approved by City Council through the annual budget process and are reflected in each Proposed Fees and Charges Report. Table 1 shows current examples of these Fees & Charges categories and how they align with the “Public, Merit, or Private” categories and the changes recommended as part of this memorandum.

Table 1: Policy and Budgetary Categories and Definitions for Revenue Generating Programs

Council Policy 1-21 Service Level Categories	Defining Characteristics	Current Examples	Proposed Changes
Public Services	Provide the same level of service to all participants, delivering benefits to the broadest cross-section of the community at no or minimal cost to participants.	Neighborhood & regional parks, trails, and community center programs, such as Senior Nutrition, Active Adult activities, and Therapeutics classes.	No changes.
Merit Services	Provide benefits particularly to the individual, with benefits to the community as well, with pricing set at varying levels of subsidization.	Swimming pools and Aquatics programming, such as swim lessons.	Add Family Camp and Fee Classes/Activities that provide community benefit for child- and youth-serving activities, and change to Category II fees
Private Services	Services that provide benefits to individuals with minimal benefit to the community, with all or most costs passed-on to the participant.	Fee Classes/Activities*, Facility rentals, and golf.	Move to “Merit Services” all Fee Classes/Activities that provide community benefit for child and youth-serving activities

*The Fee Classes/Activities include both the child- and youth-serving programs discussed in this memorandum, and adult and senior classes/activities.

⁵ City Council Policy 1-18: <https://www.sanjoseca.gov/home/showpublisheddocument/84856/637864949022130000>

Currently, the Department’s child- and youth-serving programs such as San José Recreation Preschool, R.O.C.K. Afterschool, Camp San José, Specialty Summer Camps and Leisure programs (vendor led, fee-based classes in various categories such as, academic enrichment, dance, arts, and sports), Sports Leagues, and Therapeutics Camps are all classified as Category I programs under what is labeled Fee Classes/Activities in the Fees and Charges report. While the goal of Category I programs is to achieve 100% recovery, the cost recovery levels approved by the City Council in the Fees and Charges Report have consistently been lower, reflective of the flexibility provided in City Council Policy 1-21 that speaks to both cost recovery and affordable access to programs and services (note that the Aquatics Program is already a Category II program). This lower cost recovery level is illustrated below in Table 2.

Table 2: Recent Cost Recovery Levels Compared to Pre-Pandemic Levels

	Adopted 2018-2019	Adopted 2021-2022	Proposed 2022-2023
Family Camp	39.8%	N/A*	38.5%
Fee Classes/Activities	71.9%	36.3%	51.8%
Aquatics	16.3%	6.9%	17.0%

*Family Camp was suspended in 2020-2021 and 2021-2022 due to the pandemic

From a policy and philosophical standpoint, the Department recognizes that programs serving children and youth are more appropriately categorized as “Merit Services”, especially in the context of ensuring access for under-served communities, and as a matter of fostering racial and socio-economic equity. This is in alignment with the policy work that has been presented to the Neighborhood Services and Education Committee.

For this reason, the Administration recommends that the City Council approve changing the child- and youth-serving Fee Classes/Activities programs and Family Camp from Category I to Category II in the 2022-2023 Proposed Fees & Charges Report; and with that, designate these types of programs as “Merit Services” rather than “Private Services” in accordance with the definition provided under Policy 1-21. This will eliminate the goal of reaching 100% cost recovery and thereby afford greater flexibility for the Department to meet its racial and socio-economic equity goals. Changing the category of the programs does not automatically change the pricing structure. Further, as historical pricing levels have consistently been significantly less than 100% cost recovery, this change will not impact the General Fund revenues.

Title I School Programming Options

Efforts to Expand Recreational Programming at Title I Schools

The Department is working with the City Manager’s Office to assess the interest, demand, and gaps in recreation and enrichment services in partnership with school district administrators at Title I schools in San José. This is being done in the midst of the State of California's increased funding support and requirements for expanded learning for the 2022-2023 school year that will be channeled to schools to support afterschool and early care programs. To that end, the Department has identified and mapped Title I schools, in conjunction with both the Healthy

Places Index and Equity Priority Communities census tract information to assess the equitable distribution of existing preschool and afterschool care resources and opportunities. With the Title I mapping completed, the Department intends to work with the City Manager’s Office in the coming months to facilitate a discussion within the Schools/City Collaborative, more specifically with Santa Clara County Office of Education and school district administrators, to explore leveraging the expanded learning funds, and discern interest in securing City of San José preschool, afterschool and other recreational programming opportunities at school sites to increase access for low-income, vulnerable students.

Estimated Cost to Deliver On-site Programs at Title I Schools

Without knowing the Title I schools’ present demand for City of San José programs, or the scope of the programming that they may like to pursue, staff is constrained to project costs in accordance with the Department’s existing models of service delivery. As an illustrative example, Table 3 provides the ongoing costs to deploy and operate one R.O.C.K. Afterschool cohort and one SJ Recreation Preschool cohort at one school site for an entire school year. Based on the 79 Title I elementary and middle schools in San José that could benefit from City-led programs and services, this translates to budgetary allocation of over \$10 million per year if all locations were to contract with the City of San José for one R.O.C.K. Afterschool and one SJ Recreation Preschool cohort, each. Though it is certain that the City will not see all Title I school locations express interest in City-led programming, at present the Department is hopeful that for those Title I sites that are interested, the direct costs would be offset by reimbursement from State funding to some measure. At this time, however, it is not certain if that will be the case.

Table 3. Estimated Costs to Offer Children and Youth-serving Programs at Title I Schools

Program	New FTE Required per Site	Direct Cost per Site	Potential Reimbursement per Site	Net Impact to General Fund
R.O.C.K. Afterschool (41-60 Youth per Site)	0.375 Sr. Rec. Leader + 1.19 Rec. Leader	\$112,352	\$0 - \$112,352	\$0 - \$112,352
SJ Recreation Preschool (20 Children per Cohort per Site)	0.50 Class Instructor	\$23,743	\$0 - \$23,743	\$0 - \$23,743
Single Site Sub-Total	2.065 FTE	\$136,095	\$0 - \$136,095	\$0 - \$136,095
Total Cost to Provide One Cohort of both Programs at 79 Title I Schools	163.135 FTE	\$10,751,505	\$0 - \$10,751,505	\$0 - \$10,751,505

Depending on how State funding will be allocated and committed for expanded learning, it is possible that City-led programs would be reimbursed in some measure, but not necessarily to a fully cost-recoverable level. If 100% reimbursements are available, fees would not need to be charged to participants at Title I schools and scholarships would not be necessary. That said, staff will need to determine what reimbursed programming opportunities are available and then come back through the 2023-2024 or future budget development process to close any funding gaps presented by the Title I schools’ proposals. Regardless, the Department would still seek to extend 100% scholarships to eligible child and youth programming participants at Title I schools using the \$866,000 in scholarship funding allocated in the City’s base budget. In addition, these

funds would remain available for high-need families outside of Title I schools who need child and youth programming offered at revenue generating community centers, as discussed above.

Title I School Site Programming – Potential Challenges

It is important to recognize that it is not certain that all, or even most Title I sites will be interested in leveraging the City's early education programming options. Various implementation challenges will need to be considered and addressed, including:

1. Alternative Programming Agencies/Options Available – Multiple existing providers are already deployed at Title I school sites. Schools located in low-income areas already qualify for ASES, 21st Century, and ASSETS funding and many already contract with various afterschool providers, such as, YMCA, Catholic Charities, City Year, and Boys & Girls Club to provide their programs on campus. Other school districts, such as Oak Grove and Cambrian, have their own district-run afterschool providers on campus.
2. Programming Space Constraints – With contracted and school district-led enrichment programs already being offered at many Title I locations, the availability of space is likely to be a challenge that will need to be addressed, including the costs associated with facility use fees that are charged to non-school service providers. Recently, these charges have been increasing, rising from as little as \$1,000 per year to as much as \$9,000 per year based on the school and the location.
3. Staff Expansion, Onboarding, and Training – The Department is currently operating 31 afterschool programs, 17 preschool classrooms, and does not have staffing to support additional sites. Once the Department determines that Title I schools are interested in City programs, implementing the program(s) will require City Council approval of additional Recreation Leaders, Senior Recreation Leaders, and potentially Recreation Program Specialist positions. With the additions, the City would also need to recruit, on-board, and train new hires prior to site placements.
4. Timing of Implementation – The Department will require lead time to be on campus to introduce programming to staff and to parents. If programming begins after the school year starts, the likelihood of participation is reduced because parents arrange for preschool and afterschool care ahead of the school year and are reluctant to disrupt continuity once the school year has begun.

With these challenges, it should be noted that there is merit to enrolling children and youth into the City of San José's Community Center programs. Namely, as families enroll in the subsidized programs discussed above, awareness of other public recreation, enrichment, and health and wellness offerings such as the City's Senior, Therapeutics programs, leisure classes, community resources, public health services, food donations, aquatics programming, youth employment, sport camps, teen centers and other similar services will increase, as well. This will lead to increased enrollment, which will benefit populations that are also underserved in our community.

HONORABLE MAYOR AND CITY COUNCIL

June 2, 2022

Subject: PRNS Fee Cost Recovery Levels and Title I School Programming Options

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COORDINATION

This report was prepared in coordination with the City Attorney's Office.

/s/

JON CICIRELLI

Director of Parks,

Recreation and Neighborhood Services

A handwritten signature in black ink that reads "Jim Shannon". The signature is written in a cursive style with a large initial "J".

JIM SHANNON

Budget Director

For questions, please contact Neil Rufino, Assistant Director at (408) 535-3572.