



Memorandum

DATE: June 12, 2017
TO: Mayor Enslow, City Council
FROM: John Galle, City Administrator
RE: Joint Recreation Department

The purpose of this memo is to bring Council up to date and provide information to aid in discussion regarding the jointly operated recreation program.

General Background:

The current recreation program, operated out of the Robert Miller gymnasium, has been a cooperative agreement between the Sumner School District, Bonney Lake and the City of Sumner since 1991 (See exhibit A). The program is administered by a Joint Recreation Program Manager, who currently is an employee of the School District. A Joint Advisory Board, composed of a representative from each municipality, and the school district, is established by the agreement, but the agreement does not specify the board's authority beyond advising the manager and determining contributions from the participating entities.

Funding for the program is both direct and indirect. Direct funding comes primarily from user fees, field rentals, and contributions from the participating entities. Indirect funding involves field maintenance, utilities, and administrative services. Directly, Sumner contributes \$23,500 annually to the program (and an additional \$2,500 toward the Robert Miller gym maintenance) and indirectly, provides use and utilities for its parks and the Heath Sports Complex, which is a primary facility for the recreation program to use. The City of Bonney Lake contributes \$33,500 annually to the program and the use of Allen Yorke Park. The School District provides facility and office space, all indirect costs for the program including heat/lights, maintenance, custodial, supervision of school facilities, as well as HR, fleet, IT and financial services. The interlocal agreement was set to expire December 31, 2016.

Other agreements:

The City is party to two other separate agreements that are related to the recreation program:

The **Robert Miller Gymnasium** is owned by the School District and located on the site of Daffodil Elementary School. In 1998, the gymnasium was in serious need of repair. The City of Sumner obtained a grant for \$75K, and combined with contributions from Bonney Lake and Sumner of \$7,500 each and \$30K from the "Community Recreation Program", needed repairs were made. One of the requirements of the grant was to make the facility available for public and community use for a period of 20 years.

Thus, in 1999 the school district and the two cities entered into an agreement for 20 years for continued use of the facility for community recreation. Also included within the agreement was a commitment by Sumner to provide \$2,500 annually toward cost of maintenance of the facility. Bonney Lake has no ongoing financial obligation. The agreement expires in November 2019.

The **Heath Sports Complex** (formerly Daffodil Sports Complex) is maintained under an agreement between the School District and the City of Sumner and expires at the end of 2018. The City owns approximately 2/3 of the property (from Washington Street to approximately the northern edge of the baseball field) and the school district owns the remaining 1/3. The City has “right of first refusal” for purchase of the school portion. Under the agreement, the City maintains the entire property and pays all utilities. Maintenance (equipment, labor, materials) during spring and summer (approximately one FTE) is much higher than at other times because of its more frequent use by the recreation program and school. Utilities are approximately \$33K annually (\$13K electricity, \$20K water, sewer, etc.). Regulation and control of the lights on the ballfield has been a challenge, and they are currently turned off at the breaker. Additionally, per the agreement, the Joint Recreation Program Manager is responsible for scheduling use of the field. The School District receives priority in use of the property.

Recent changes:

Close to two years ago, staff became aware that the School District was having discussions with Bonney Lake regarding oversight of the recreation program. Shortly thereafter, a formal meeting was held with all three entities in which the School District advised that they wanted to relinquish lead agency status in the program. Sumner and Bonney Lake were offered the opportunity to assume that role. The reasons the School District provided were related to the difficulty of obtaining qualified coaches, volunteers etc. because of stiff district vetting requirements. They stated that a recreation program was better operated by a municipality that would not be subject to these standards. As an incentive, they advised the program was profitable (approximately \$166K this year).

During the discussions, Sumner expressed concerns that a municipally operated recreation program would assume the same risks as a school district and vetting likely would be little different. *(It should be noted that when serving children, the district requires strict vetting requirements for a reason. Our insurance is “pooled”; i.e. our rates are based on claims. Thus, careful risk management is critical to keeping costs and risks down.)* Sumner also suggested that we consider investigating whether the YMCA could partner and provide administrative services. Our previous discussions with the YMCA indicated that they would be interested in such. As a next step, Sumner requested detailed financial reports to do a more complete analysis of the program. Sumner also advised the School District that we would likely want to consider other alternatives and not continue the partnership if the program were to change hands. The Mayor instructed staff to obtain financial information and provide feedback for a more informed decision.

In Fall 2016, we were advised that the School District was unwilling to continue with the program and wanted an immediate change. We were provided a draft two year interlocal agreement with Bonney Lake as the lead agency (exhibit B). The draft language was generally consistent with previous agreements. An additional draft three-year agreement was presented, committing the cities and the district to sharing facilities (exhibit C). We had not yet received any financial documentation and again

requested them. Sumner advised the committee that we would need time to analyze the financial data once we received it and have discussions with our Council. Bonney Lake agreed. The committee agreed to hold off a decision and to sign an extension of the agreement through August 2017. There was no additional discussion about pursuing other partners or options as Sumner had suggested.

We were able to obtain limited financial documents from the School District regarding the recreation program; however, the documentation did not clearly distinguish between types of expenses, individual programs, or revenue streams. Our financial staff spent considerable time rebuilding a financial model to a close approximation so that we could distinguish programs (e.g. day care, basketball, gymnastics etc.). From this we were able to identify a close approximation of the primary programmatic emphases, the associated expenses and revenue streams, as well as indirect costs not contained within the budget. (We were advised that these were estimated by the district at 20% of revenue.) It was only at this point that I believed that we had a clear enough understanding to have a meaningful discussion with Council, which we scheduled for March.

Program Analysis:

In review of the documentation, surprisingly, we found that the major resources of the recreation program were dedicated to before- and after-school care, as well as day camps for when school was not in session. Such programming is a major emphasis of School District today and is often contracted out to third parties such as the Y or a private company (note the recent change in Puyallup). They are generally hosted in individual elementary schools and involve anything from activities to study help for students. In the Sumner School District, this program is incorporated into the joint recreation department and makes up approximately 55% of the revenue stream of that department. Participant families pay fees which, based on my understanding of costs of neighboring district's programs, are subsidized by the district or joint recreation department. This program is not offered at every elementary school in the district, and thus participants are bused to participating schools, requiring fleet or vehicle costs.

We also identified that a large portion of the actual athletic/recreation activities were "outsourced" with the Recreation Department serving simply as a clearing house for existing independent programs, studios, and instructors. These offerings included gymnastics, volleyball, tennis, soccer, wrestling, Jazzercise, babysitting, yoga, etc. There were some direct offerings, the largest of these being youth basketball. However, this program had earlier conflicted with similar programming planned at the YMCA, and at the District's request, the YMCA reduced its program to not compete with the Recreation Department.

Recreational opportunities and expectations have changed significantly over the 26 years since the joint recreational department began. Today, we see numerous advertisements for youth leagues and sports camps, which in many cases become feeder programs into school sports. Many of these opportunities did not exist in their current form or to the current level 26 years ago. Additionally, adult leagues have continued to proliferate in just about every sport. Even senior centers today offer opportunities such as yoga and other exercise programs. The recreational department provides opportunity for introduction to sports for younger children wanting to learn basics, which are at times not as available in leagues.

However, learning opportunities are available through other programs such as the YMCA or private programs such as Challenger Sports for learning soccer.

Of primary concern to us was accuracy of the financial picture that was being conveyed, particularly the assurances that the program was operating with a positive cash flow. The financial data we were provided consisted essentially of a spreadsheet that intermixed various types of revenues and expenses from the various programs they operated. There was no clear distinction of who was full- or part-time, what program they were associated with, or whether costs were internal or externally associated with a program.

Another significant concern was the lack of any specific data regarding indirect costs, especially since the program operates with a large number of volunteers and casual staff (over 100). The documentation provided no costs for administrative services such as human resources, recruitment, financial management, IT support and janitorial, nor did it provide costs for fleet reserves, insurance, communication, maintenance etc. All of these are real costs that would need to be assumed and budgeted. Additionally, increased labor costs (wages and benefits) would need to be calculated for full time employees, as our wages and benefits differ, and there would certainly be a move to unionize these employees. All these are factors that must be considered in budgeting for the program. At best, we can estimate some of these costs based on our current experience. Increased administrative, HR, and financial management would likely require an increase of three FTEs. (Bonney Lake also indicated earlier that they could not administer the program with existing staffing.) It is difficult to calculate costs of maintenance, office equipment, utilities, advertising & communication, fleet, etc. without additional information or commitments from other participants, but these need to be considered in a complete model.

More Recent Developments:

On February 10, the Mayor and I received notice from Tim Thomsen at the School District that he was scheduling a meeting February 24th to make a final decision regarding lead agency status. This was news to us, and I advised him that we could not yet speak to lead agency status. At that time our financial analysis was not yet complete and our discussion with Council was scheduled for early March. On February 13, our staff met with Bonney Lake staff to share initial findings and concerns regarding the programmatic and financial aspects of the program. Their CFO indicated that she had the same concerns and had shared them with their city administrator. We stated that Sumner could be interested in continued participation if there was a complete review and reorganization of the program. They had not yet spoken with their Council.

On February 24th, the Mayor received a call from Mr. Thomsen advising that representatives from Bonney Lake and the Sumner School District had met despite our request to wait until after the scheduled Council discussion, and furthermore, had voted to designate Bonney Lake as lead agency. He expressed his hope that Sumner would continue to participate. On March 16, I received an email from Mr. Thomsen asking us to remain a partner in the Recreation Department; on April 23 I received another email providing talking points for why we should remain in the program; and on May 18 we received an email strongly encouraging us to remain in the program. In all these contacts, there was no indication

of interest to change the program or details about how this transition to Bonney Lake's oversight would work.

On April 6, I spoke with Don Morrison, City Administrator of Bonney Lake, who asked me if Sumner was going to continue to be part of the recreation program. I expressed my concern that the primary function of the program was a subsidy for before- and after-school care. I stated that we were waiting to hear from Bonney Lake, as the lead agency, as to what the program would look like going into the future. He answered that nothing would change, and Bonney Lake would simply take over as lead agency. Considering his earlier comment regarding staffing, I had concerns that there would soon be need for the "partners" to provide increased support to keep the program afloat. The draft interlocal we had been provided included no cost containment or indemnification, exposing the City to significant liability and escalating costs. There should be careful consideration of the difference between a school district, which is already staffed & trained to handle children, and a city administering before- and after-school care. The School District wanted one of the cities to assume lead agency status to reduce the onerous vetting requirements of employees, coaches, and volunteers. If Bonney Lake does not recognize the importance of this additional vetting/training/risk assessment, I have concerns about connecting Sumner in any way to such care.

The YMCA and the Recreation Department:

As you know, part of the services agreement for the City's support of the YMCA was that they would work *"with the City to develop parks and recreation programs that are mutually beneficial to the parties."* We have had conversations with the YMCA, initially identifying that they had an interest in joining and assisting in the existing recreation program. During those conversations they stated that they would not restrict participation to just Sumner, that most recreation programs they administer in other communities do not require YMCA membership, and that there are ways to work with those that do to ensure they are inclusive. These points addressed concerns which I have heard repeatedly. Since the developments in February, we have had conversations with YMCA management regarding potential program offerings. They are very interested in providing additional recreational opportunities to area residents in conjunction with the City.

Recommendations and Conclusions:

Sumner's vision is to set the standard of excellence for a progressive small city. This means that we don't often do things the way we've always done them or how other cities are doing it. What may have been best for the community 26 years ago may not be what is needed today. We also have a responsibility to ensure the money entrusted to us by our citizens is used wisely and to the greatest efficiency possible under law. Thus, we have an obligation to look at creative ways to provide services to our citizens with other public and/or private partners.

With the senior center, animal control, E911, jail services, municipal court, fire and sewer service, we developed creative partnerships to improve services for citizens while maximizing available revenues. In each circumstance, we carefully analyzed options, encouraged creativity, and developed strategies that enhanced services and saved money. We need to consider that this might be the best time to carefully

study options for recreational services and either make needed changes or go in a different direction. There will likely not be a better time.

Beyond the financial and liability considerations, there are several questions that should be considered, requiring much more extensive research and discussion:

1. What is the role of government in providing recreational opportunities for the community as opposed to their role in providing other services (i.e. police, utilities, roads, planning and permitting, etc.)?
2. What are the recreational needs of the community and how are they being met in alternate ways (i.e. church and or independent leagues, feeder programs, schools etc.)?
3. Has the need for a recreation department changed after 26 years and does the current model reflect that change?
4. Are there more creative partnerships that better utilize resources to improve our ability to meet current/future needs?

Specific Recommendations:

1. The issue of how decisions were scheduled and made aside, staff could not recommend that the City offer to serve as lead agency for the Joint Recreation Program for a number of reasons. As detailed above, the financial analysis demonstrates that the program in its current form does not have a positive cash flow and is not even cost neutral. Once all costs are considered, it easily could have cost the City \$400K or more annually. Secondly, there have been no discussions of agreements that guarantee the program's use of school facilities, without cost, into the future. Without this, the costs could quickly escalate. Third, the assumption of the School District is that recreation department employees would simply become City employees. Having a unified staff that represents our values is critical to effectiveness and morale. I could not recommend simply assuming other's employees under any circumstance. Fourth, there are special considerations around hiring and risk management when dealing with the care of children. If a school district found these onerous, the City would need to consider how it would manage the addition of these regulations and oversight.
2. Staff could not recommend continued participation in the Joint Recreation Program as currently presented to us. Ironically, the City of Sumner was happy with the partnership as it was and was planning to continue for the foreseeable future, but now that others have forced changes for us, it brings up issues that we can't ignore. A comprehensive review and modification of the program needs to occur prior to any continued participation in this program. From initial review, the program should be reorganized, separating out before- and after-school care, which is rightfully a function of the district. The primary purpose of a recreation program should be to focus on actual recreational opportunities for the community. The recreation program should identify actual needs that are not being met in other ways and administer programs that meet those needs. The program should not serve as a "pass through" for private vendors. This simply increases costs and creates inefficiencies. Certainly, a central point of contact is beneficial, but this can be accomplished in other ways. A "top to bottom" staffing review is

needed to ensure the program has the right people in the right job. The City of Bonney Lake should ensure vetting of staff and volunteers continues at its current levels and require indemnification. Finally, technological improvements are needed to better link resources and needs, track participation and financial data, and provide for recruitment, screening and training of volunteers and employees.

3. The City of Sumner needs to “flesh out” the YMCA’s willingness to partner with us to provide increased recreational opportunities to the community. Staff has already had initial conversations with the YMCA regarding potential offerings and partnerships. The YMCA has emphasized that most programs do not require membership and they would not be restrictive to Sumner only. This would be consistent with our former recreation program, which also charged users a fee for participation model. The YMCA also has additional existing resources for low-income/special circumstances, including scholarship funds and free memberships for foster children, all of which are already funded through private donations. In this scenario, the City’s historic contribution to the joint recreation department could be used to supplement costs in order to expand opportunities.
4. The interlocal agreement for the Heath Sports Complex ends in 2018, and the City needs to consider how this asset should be managed going forward. There is daily demand throughout the spring and summer for field preparation both for league as well as school use, as it is a primary resource for both. We have also had a number of challenges with current recreation department staff regarding scheduling the use of field lighting, an appreciation for the costs of this resource, and consideration to our neighboring residents. Field rental costs go back into the recreation department to support other programs. While the City maintains the entire facility, it only owns two-thirds of it and pays all utilities. Additionally, the district is requesting that a renewed interlocal clarify that the district has no responsibility toward any capital repairs or improvements. I recommend that any new agreement include sharing of responsibility for maintenance and capital improvements, or as an alternative, the district enter into an agreement to sell the property to the City.

In conclusion, the Joint Recreation Department as we knew it will not exist in a matter of weeks. Although a new department has been described casually as “the same,” there are many logistical reasons why it can’t simply be the same. There are also strong indications that the City should not continue participation without a comprehensive review and reorganization regardless of who is leading it. As much as we have encouraged this, there is no commitment from others that it will happen. In fact there is more commitment to the contrary. Agreeing to a rather vague, draft interlocal agreement would reduce our City’s ability to provide needed services, and I believe, is not consistent with our values of being accountable, innovative, and visionary.

Bonney Lake has indicated that it will continue the program in current form with the School District. After consultation with the Mayor, I advised Bonney Lake City Administrator, Don Morrison, that Sumner could not agree to continued participation in its current form or under the draft interlocal

provided. Again, this is consistent with the messaging we had been delivering throughout the past few months.

There is no action for Council to take at this time, but I appreciate this is a big change and wanted to make you aware of all the factors involved. Under the Mayor's direction, staff will continue to pursue collaborative partnerships to provide services to our citizens that set the standard of excellence.