

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

Date Issued: January 19, 2007

IBA Report Number: 07-11

City Council Docket Date: January 22, 2007

Item Number: 200

Subject: Reservoir Recreation Program

OVERVIEW

This item requests approval for the use of General Fund Unallocated Reserves to reimburse past costs and pay future interim costs for the operation of the recreation program at city reservoirs by the Water Department. Funds in an amount not to exceed \$1,498,250 are requested for expenditure for estimated net costs for the reservoir recreation program for Fiscal Year 2007. Based on information provided with the Council docket materials, the amount remaining in the General Fund Unallocated Reserves (after this action) will be \$43,151,883.

FISCAL/POLICY DISCUSSION

In its April 25, 2006 Report entitled "Service Legal Agreements Equal Back Door Funding", the San Diego County Grand Jury addressed the use of Water Department and Metropolitan Waste Water Department enterprise funds, and concluded that water rate payers are subsidizing Park & Recreation functions which provide little or no benefit to the water system or water ratepayers. Recommendation 06-019 of the Grand Jury's report indicated that the Mayor and San Diego City Council should immediately reduce the multi-million dollar financial losses to the Water Department and Park & Recreation in the operation of concession stands. In his response to the Grand Jury, the Mayor directed a review of the entire reservoir recreation program and subsequently ordered the closure of all reservoir concession stands immediately after the Fourth of July holiday weekend.

As described in San Diego City Council Policy 400-03, general water rates can be used to offset all costs associated with basic level of access, community usage, and related grounds and facility maintenance. The Water Department and Park & Recreation Departments are jointly working to determine necessary changes to the reservoir recreation program to operate without continued Water Department subsidies and are

currently undergoing Business Process Reengineering (BPR). Goals of the BPR process include, among other things, ensuring that this particular program operates on a cost neutral basis, and determining the most efficient and effective way of providing these services to the community. The process will include community outreach efforts to the many interested groups who may be impacted by any potential changes to the program.

Until the BPR process is completed, the reservoir recreation program continues to be operated by the Water Department, with costs associated with the recreation activities tracked and proposed for reimbursement from the City's General Fund. It is anticipated that the BPR process will be completed shortly, and recommendations on its implementation will be brought forward to the City Council within the next few months. Because it is anticipated that the program will become cost neutral (i.e. operate within the revenues it generates), there are no plans to include additional General Fund subsidies for Fiscal Year 2008 or beyond. To operate on a cost neutral basis, it is expected that the upcoming proposal would need to include either new or increased fees for services, and/or program/service reductions. Without such changes, additional General Fund resources would need to be committed for ongoing subsidy of the program.

As with any proposed changes to services provided to the community, it is recommended that the upcoming proposal be communicated to the public as soon as possible through a variety of means, that any service level impacts, including reductions or enhancements to current levels, be clearly outlined, and that all costs (or savings) related to the changes are fully described.

With regard to the specific expenditure of funds, it is recommended that reimbursements occur periodically to minimize the use of Water Department enterprise funds, and that clear accounting structures be established for easy tracking and reporting. Also, as discussed in previous IBA reports, it is requested that detailed information on the status of the General Fund Unallocated Reserves be provided each time requests are made.

CONCLUSION

The IBA supports the request for the approval of the use of General Fund Unallocated Reserves to reimburse past costs and pay future interim costs, in an amount not to exceed \$1,498,250, for the operation of the recreation program at city reservoirs by the Water Department. This action would correct past practices of improperly subsidizing the recreation activities with Water Department enterprise funds.

[SIGNED]

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