

REPORT OF GENERAL MANAGER

NO. 03-295

DATE September 17, 2003

C.D. ALL

BOARD OF RECREATION AND PARK COMMISSIONERS

SUBJECT: DENIAL OF REQUEST FROM THE DEPARTMENT OF AGING (DOA) FOR UTILITY WAIVERS - DOA SERVICES PROVIDERS OCCUPYING RECREATION AND PARK FACILITIES

L. Barth _____
J. Combs _____
A. Coroalles _____
J. Duggan _____

H. Fujita _____
J. Kolb _____
*B. Lukehart BSL


General Manager

Approved _____ Disapproved _____ Withdrawn _____

RECOMMENDATION:

It is recommended that the Board of Recreation and Park Commissioners deny the request from the Department of Aging (DOA) to support a permanent waiver from paying utilities for three DOA-funded service providers occupying five Department of Recreation and Park (DRP) facilities, consistent with DRP policy.

SUMMARY:

The General Manager of the Department of Aging has requested that the Department support their request to waive utility payments for non-profit service providers, funded by DOA, in the following DRP facilities:

<u>Organization</u>	<u>DRP Facility</u>	<u>Annual Cost to City</u>
• San Fernando Valley Interfaith Council	Bernardi Senior Center Van Nuys	\$ 23,510.00
• San Fernando Valley	Pacoima Senior Center Pacoima	\$ 36,538.00
• ONEgeneration	Mark Taper Intergenerational Center, Reseda	\$ 31,327.00*
• ONEgeneration	Reseda Multipurpose Center Reseda	\$ 20,069.00*
• Wilmington Jaycees Foundation	Wilmington Senior Center Wilmington	\$ 0.00**

REPORT OF GENERAL MANAGER

PG 2

NO. 03-295

- * ONEgeneration, effective August 15, 2003, is now paying utilities (gas, water and electricity)
- ** Wilmington Jaycees Foundation has paid all utilities at this facility since shortly after they occupied this new building in October 2002

On October 2, 2002, the Board approved Board Report No. 02-349 ("Department Policy on Utility Costs for Non-Profit Organizations on Park Property") in an effort to bring clarity and consistency to the Department's treatment of non-profit entities utilizing DRP facilities. The policy was adopted to ensure compliance with the Municipal Finance Committee of the City which was tasked with developing a uniform utility policy that promotes responsible usage of City-owned facilities by concessionaires and non-profit service providers.

The DRP policy includes a number of very specific conditions that must be satisfied in order for an applicant to be considered for a utility waiver or subsidy. The policy (*criteria attached*) envisioned an application from each non-profit entity, specifically addressing the eight (8) criteria for waiver or subsidy on an individual basis. It did not anticipate a "blanket" request by another City department on behalf of a group of non-profit entities.

If this waiver request is granted, the annualized cost to the City would be approximately \$150,000.00 in utility subsidies. As noted above, two of the three (3) non-profit service providers included in the DOA request are already paying for utility usage. The Wilmington Jaycees Foundation has been paying for utilities at the Wilmington Senior Center since they occupied the facility last fall. As of August 15, 2003, ONE generation is paying for utilities at both of its Reseda facilities, relieving the City of approximately \$51,000 per year in utility subsidies.

In this particular instance, each of the three non-profit service providers receives Older Americans Act (OAA) funding from the DOA. Each is funded to provide a variety of services. Facility rent and utility payments related to program operations are eligible costs chargeable to OAA funds. Of the eight (8) criteria for waiver, each of these agencies have satisfied the following: (1) a bona fide non-profit entity, (2) operates on park property, (3) provides services that are of importance to the public, (4) provides services that might, under certain circumstances, be undertaken by DRP, and (5) operating at a cost similar to what it might cost the City for DRP to provide the same or similar services directly. Two (2) of the remaining three (3) criteria have not been satisfied and are as follows:

- Each of these non-profit organizations has funding available that would enable it to pay utility costs, as evidenced by the fact that two of the three applicants are currently paying for utility usage. These organizations, with the support of DOA, are requesting that the City support their request to allocate their resources to other priorities in lieu of paying either rent or utilities; and,

REPORT OF GENERAL MANAGER

PG 3

NO. 03-295

- There is no indication that any effort has been put forth by the organizations, individually or collectively, to seek funding to cover utility costs other than through the efforts of DOA to seek a waiver from the Board of Recreation and Park Commissioners, thus shifting the utility cost burden to the City's general fund via the Department of General Services.

As to the eighth criteria, we have no data available as to how utility usage by these non-profit entities compares to similar Department operations; however, we will speculate that the costs are not significantly higher or lower.

Staff of DRP has been working closely with the Department of General Services to meter or sub-meter water, electricity and gas services in City-owned properties (at City expense) to facilitate the transfer of utility services to non-profit organizations. This is being done to conform to the established "Policy for Non-Profit Leases in the City of Los Angeles" as promulgated by the City's Municipal Facilities Committee.

The allocation of resources is a dilemma that all City departments and non-profit service providers are facing in this era of tight budgets and diminishing resources. It is not an easy choice to decide whether to pay the bills or increase levels of service. While we empathize with DOA as we do with ONEgeneration, Wilmington Jaycees Foundation and San Fernando Valley Interfaith Council, staff can not recommend this utility waiver request which simply shifts the burden for paying these costs from federally-funded grants to the City's general fund.

This report was prepared by Gene Dudley, Senior Management Analyst II, Real Estate and Asset Management Division.

UTILITY COSTS FOR NON-PROFIT ORGANIZATIONS ON PARK PROPERTY

- ❑ **Statement of Current Situation.** The Department of Recreation and Parks (Department) issues permits or enters into formal agreements with non-profit organizations to use park property for public benefit purposes. Historically, the Department charges no rent or nominal rent, on the premise that the non-profit serves the community. Likewise, utility charges at leased and permitted facilities have been, but not uniformly, paid automatically by the City (through the Department of General Services).
- ❑ **Statement of Principle for Non-Profit Leases.** In compliance with City policy, all organizations or entities using park property or facilities on permit, lease, or other agreement will be responsible for the cost of all utility services used by them. The City, through the Department, will recoup utility costs from non-profit organizations on park property, when feasible, on the principle that any degree of subsidization for non-profit utility charges is a cost to the General Fund of the City of Los Angeles. The Department will transfer funds collected from these utility charges to the Department of General Services.
- ❑ **Non-Profit Organizations in Special Circumstances.** A non-profit organization may request waiver of utility payments or partial subsidy of utility costs. This request must be made to the Department staff, who will provide a recommendation to the Board of Recreation and Parks Commissioners. Only the Board of Commissioners will have authority to approve a request for waived or subsidized utilities.
- ❑ **Funding of Utility Waivers or Subsidies.** Consideration by the Board of any utility waiver or subsidy will be accompanied by an analysis of the projected annual costs and a methodology for payment (e.g., requesting funds in the annual budget process, solicitation of one-time funds from the City's general fund, or identification and transfer of Department funds to appropriate accounts).
- ❑ **Conditions for Consideration of Special Circumstances.** For the Department to consider and recommend favorably on a request for utility waiver or subsidy, each of the following criteria must be met. If any one criteria is not met, the request will not be recommended. Any waiver or subsidy must be reconsidered and renewed annually.
 - The organization or entity must be registered as a non-profit (501(c)(3)).
 - The subject permit or lease must be on park property or property controlled by the Department.
 - Services provided by the non-profit on the park property conform to and fulfill the mission of the Department, are needed by the community, and are services the Department would provide if staffing and funding were available.
 - Absent the activity of the non-profit, the Department would undertake responsibility for maintaining, staffing, or operating the subject facility.
 - The non-profit provides staffing, operations, and maintenance at the same or improved level as would the Department.
 - A Department analysis of the organization's or entity's current operating revenues reveals that they are insufficient or unavailable to offset utility costs.
 - The organization or entity has made a good faith effort to acquire alternative or supplementary program funding to cover all utility costs and has been denied.
 - The projected cost of utilities by the non-profit is comparable (does not exceed ten percent) to similar Department operations.