

Seeking green



Funding public parks in a challenging financial climate

3,400

Acres of park space in San Francisco

12 percent

Amount of San Francisco real estate owned by the RPD

220

Number of parks and natural areas

15,639

Number of people enrolled in RPD programs

\$127.9 million

RPD's total budget

1001

Total RPD staff in 2003

850

Total RPD staff in 2011

\$35.9 million

RPD revenue from San Francisco's General Fund

1.96 percent

Percentage of the General Fund that goes to the RPD

+ 21.79 percent

Change in the General Fund budget since 2005

– 26.4 percent

Change in General Fund contribution to parks budget since 2005

\$36 million

Revenue earned through RPD activities in 2003

\$47.2 million

Revenue earned through RPD activities in 2011

\$30 to \$35 million

Additional annual revenue needed to maintain our parks

\$1.4 billion

Deferred maintenance needs

San Francisco's parks are among the city's most treasured assets — but they're also in serious financial trouble. The city's Recreation and Parks Department (RPD) has lost more than 25 percent of its General Fund revenue in just five years. Meanwhile, labor costs have gone up 34 percent. This mix of factors has forced the department to make dramatic cuts. The RPD has lost 150 staff positions in the past seven years, and deferred maintenance costs have racked up to \$1.4 billion.

The RPD's current budget is \$127.9 million. SPUR's task force found that the department needs an additional \$30 to \$35 million each year in order to retain safety patrols, maintain the health of trees and plants, and keep facilities open and programs operating.

In this SPUR Report, we recommend that the RPD grow revenues via three primary sources — public finance, philanthropy and earned revenue — using the following strategies:

SPUR's recommendations for public finance:

1. Double the city's Open Space Fund to stabilize current funding levels.
2. Form a citywide assessment district to enhance services and fund ongoing operations.
3. Tax unhealthy behaviors to benefit recreation activities.

SPUR's recommendations for philanthropy:

1. Invest in the success of a single nonprofit parks partner.
2. Develop funds to support ongoing maintenance of capital improvements.
3. Cultivate donors over the long term.
4. Develop a strategy to cultivate recreation center councils and friends groups.

SPUR's recommendations for earned revenue:

1. Develop initiatives that make the most of closed or underused structures and spaces.
2. Develop programming that creates new experiences and attracts new parks visitors.
3. Give the Recreation and Parks Commission greater flexibility to determine rates and fees.
4. Structure concession agreements to engage community-based partners and ensure equitable access.

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Funding public parks in a challenging financial climate

The San Francisco Recreation and Parks Department (RPD) is in the midst of a structural funding crisis. Contributions from the city's General Fund have eroded just as operating costs have increased, reducing the value of each departmental dollar. Despite the RPD's recent



gains in earned revenue and philanthropic contributions, its funding woes are undermining the health of the parks system and the mission of the department. Without considerable growth in one or all of the RPD's funding sources, the department will be unable to sustain current services and programs.

The benefits of public parks have been well documented in recent years. Urban open space contributes to residents' quality of life and enhances the livability of cities. Parks also provide a variety of economic benefits, from increasing sales tax revenues to boosting property values. In San Francisco, neighborhood parks provide open space and recreation opportunities in a dense urban environment with minimal private open space.

But reductions in staffing, the closing of recreation centers, reduced hours of operation, and deferred maintenance have eroded the benefits San Franciscans receive from their parks.

This report was reviewed, debated and adopted as official SPUR policy by the Board of Directors on July 20, 2011. spur.org/recpark

This report was made possible by the generous support of the Walter and Elise Haas Foundation. Special thanks to the staff of the San Francisco Recreation and Parks Department.

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The decline in services can be attributed to three primary factors:

- 1. Public funding has become increasingly uncertain.** Long-term reductions in funding from the city's General Fund — a decline of nearly 25 percent (\$12 million) per year since fiscal year 2005–06 — have affected the RPD disproportionately compared to other city departments. While the RPD has made significant progress generating earned revenue — an increase of more than 27 percent (\$10 million) per year since 2005–06 — concerns over the commercialization of public spaces have severely complicated the future of these efforts.
- 2. The cost of labor has increased significantly.** Cost of living increases and health care, pension and retirement benefits have elevated labor costs to historic highs. Employee benefits now account for nearly one of every three dollars in labor costs — almost double the cost five years ago.
- 3. The RPD's governance structure is too inflexible.** Though the department has restructured operations in response to the new fiscal climate, the San Francisco Recreation and Parks Commission still does not have control over how much the department can charge for fees, permits, programs and rentals; currently all rate changes must be approved by the city's Board of Supervisors. This has compromised the department's ability to adapt to reductions in public funding.

Unfortunately, the funding challenges the RPD faces are not unique to San Francisco. Park agencies throughout California and across the

country continue to experience reductions in funding and staffing despite significant evidence of the social and economic benefits of parks.

- The California State Parks system faces devastating cuts in the 2011–12 budget, including reductions of \$22 million and the closure of 14 parks in the Bay Area and a total of 70 across the state.
- The Los Angeles Recreation and Parks Department's budget has been slashed by \$19 million (10 percent) in fiscal year 2011–12 alone.
- Seattle Parks and Recreation has cut \$10 million (8 percent) from its budget, closing five recreation centers and reducing waste pick-up, ball field maintenance and restroom cleanings.

In spite of these economic realities, parks and recreational programming in San Francisco continue to enjoy considerable public support. Voters consistently approve ongoing capital funds for the renovation and construction of park and recreation facilities: parks bond measures passed by 78.8 percent and 71.3 percent in 2000 and 2008, respectively, and another is planned for 2012. Both citywide park performance ratings calculated by the city Controller's Office and overall public satisfaction continue to improve, and regular usage of city parks is at its highest level since 2002.¹

But clearly there's a disconnect between this robust public support and the insufficient funding that has been provided to operate these civic treasures.

¹ Proposition C Six-Month Report, FY 2010-11; City Survey 2009; San Francisco Controller's Office.



How did we get here?

The RPD's funding challenges include problems with both revenues and expenditures.

Where funding comes from

The three largest sources for the RPD operating funds are the city's General Fund, the Open Space Fund (a property tax set-aside), and earned revenue. Combined, these three funding sources account for 94 percent of the department's annual budget. The RPD also receives approximately \$1 million per year from philanthropic contributions, but this is not currently a significant source of revenue for the department. We will discuss philanthropy in greater detail in our recommendations.

1. General Fund

As a city department, the RPD receives a General Fund subsidy, allocated each year by the San Francisco Board of Supervisors. Close to 80 percent of all city departments (39 of 50 total departments) receive annual operating funds from the General Fund. Driven by a thriving property tax base, the General Fund has historically been the single largest source of revenue for the RPD.

However, the department's General Fund revenues have been inconsistent in recent years. General Fund contributions have fluctuated by as much as 50 percent year over year (2004–05 to 2005–06) and declined in five of the last seven fiscal years

(see Figure 1). When compared to other city departments, the RPD has been disproportionately affected by changing General Fund contributions. In fact, it is one of very few departments whose General Fund subsidy has declined at all in recent years, from a high of \$47.6 million (40.8 percent of budget) in 2005–06, to a low of \$35.9 million (28.1 percent of budget) in 2010–11, a drop of nearly 25 percent. While it could be argued that this reduction reflects the state of the city's budget revenues during the recession, it should be noted that both the General Fund and the total city budget grew significantly over the same period, increasing 21 percent and 23 percent, respectively.

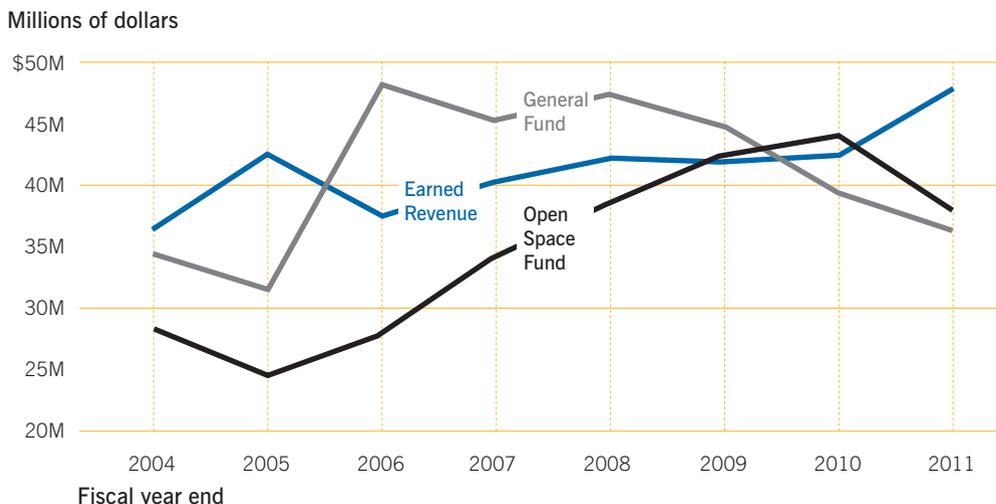
Even when viewed across a longer horizon, General Fund revenues have not kept up with costs. Over the period 2004–05 (the low point for General Fund contributions in recent years) to 2010–11, General Fund contributions increased by 15 percent overall, but operating expenses grew by 35 percent. Meanwhile, during the same period, Open Space Fund revenues — which, like General Fund revenues, come from property taxes — managed to grow by 54 percent, a comparison that exposes the discretionary nature of the General Fund. Clearly these disparities pose challenges that must be addressed.

2. Open Space Fund

The Open Space Fund is a property tax set-aside originally created in 1974 to provide funding for acquiring new open space, maintaining existing facilities and running RPD operations. The original fund was derived from property tax revenues, with a rate that amounted to 10

Figure 1: Park revenues have shifted away from the General Fund

RPD funding has been erratic in recent years. Five years ago, General Fund contributions were the department's primary revenue source. Today, earned revenue leads and the General Fund is third.

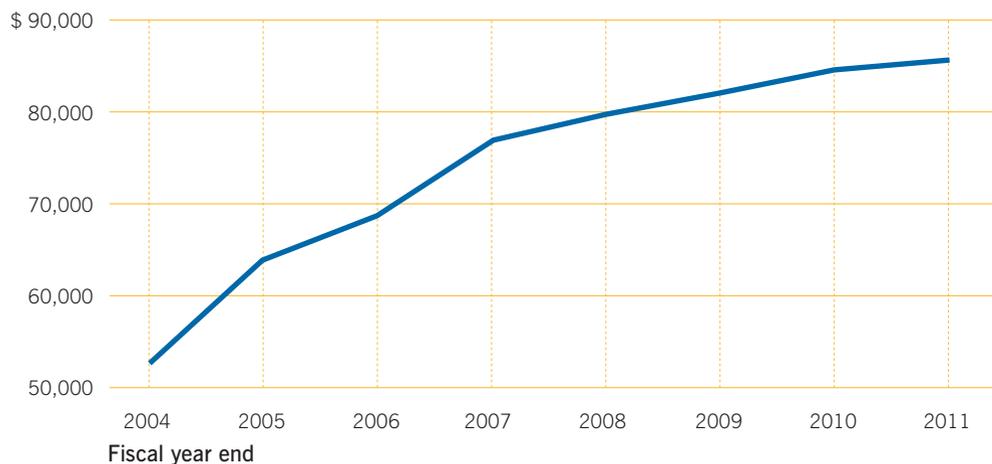


Source: San Francisco Recreation and Parks Department, Annual Appropriations Ordinance(s), fiscal years 2003–04 through 2010–11

Figure 2: Labor costs are on the rise

The rise in cost per employee is driven largely by benefit costs, which have risen 93 percent since fiscal year 2004–05. Benefits now make up nearly one-third of RPD labor costs.

Employee costs



Source: San Francisco Recreation and Parks Department, Annual Appropriations Ordinance(s), fiscal years 2003–04 through 2010–11

cents per \$100 of assessed value. This first measure was approved for a 15-year term.

In 1989, the fund was renewed and revised to reflect a dramatically restructured tax system created by California Proposition 13. The assessment was lowered to 2.5 cents per \$100 of assessed value and approved by voters for a 30-year term. This dramatically reduced rate was designed to yield the same level of revenue for the fund under the new state guidelines.

In 2000, voters renewed the Open Space Fund as the Park, Recreation and Open Space Fund. Together with a 30-year extension of the program, Proposition C included requirements for the department to “leverage ongoing revenues to address the system’s ongoing needs through a comprehensive, strategic program of capital and operational improvements.” This program entailed strategic and capital planning, established land acquisition and budgetary requirements, and created incentives for the department to improve operational efficiency and generate new revenues while retaining any savings resulting from new efficiencies. Proposition C specified that these new revenues were to be “in addition to, and not in place of, any sums normally budgeted for the Department.”²

As property values have risen, the Open Space Fund has become an increasingly important source of revenue for RPD operations, surpassing the General Fund as the largest single revenue source

in fiscal year 2009–10. In 2010–11, the Open Space Fund was budgeted to provide the department with revenues of \$37.5 million, down from a high of \$43.5 million in 2009–10. This decline could continue for the foreseeable future as the recession adversely impacts property values in San Francisco, but the Open Space Fund is among the most reliable recurring revenue sources, growing 54 percent since 2004–05.

3. Earned revenue

From the operating agreements at public golf courses to concessions at Coit Tower and Stow Lake, the RPD has generated earned revenue to support its operations for decades. This includes program and permit fees, park concessions and amenities, special events and facility rentals, and berth leases at the Marina Yacht Harbor.

In the last few years, the General Fund’s volatility has driven the department to intensify its revenue efforts. The RPD has increased annual earned revenue by more than \$10 million (27 percent) since fiscal year 2005–06. The department achieved this in a number of ways, from conceiving and growing the Outside Lands concert to welcoming food carts throughout the parks system. The department has also extended some of its most successful existing concessions

— for example, by expanding the popular Beach Chalet with an outdoor dining and event space at the Park Chalet in Golden Gate Park.

² San Francisco Charter, Sec. 16.107(b) – Park, Recreation and Open Space Fund.

Expenditures: Costs are rising faster than revenues

Salaries and benefits comprise the two largest — and two largest-growing — categories of the RPD budget. While RPD staff numbers have declined steadily since fiscal year 2007–08, benefit costs have continued to rise. Facing repeated reductions in staff and record recessionary forces, the department has been driven to adjust how it provides services so that it can retain programs.

As in other departments in the City and County of San Francisco, increases in the cost of labor and benefits in recent years have dramatically driven up the cost of doing business. Since fiscal year 2004–05, the average combined cost of employee salaries and benefits has risen by nearly 34 percent. Of this cost, average salaries have increased by 18 percent; the average cost of benefits per employee over the same period has gone up by 93 percent (see Figure 2). As a result, even with a dramatic reduction in workforce (see Figure 3), overall labor costs have still increased by approximately 19 percent. Returning to previous staffing levels with current average costs would drain an additional \$8.8 million per year from the department's budget.

Doing more with less

San Francisco is hardly alone in facing these challenges. Parks departments across the country are seeking new ways to deliver services and programs while maintaining public access. The RPD's recent reorganization of its recreation operations (in fiscal year 2010–11), for example, employs a new service delivery model that mirrors

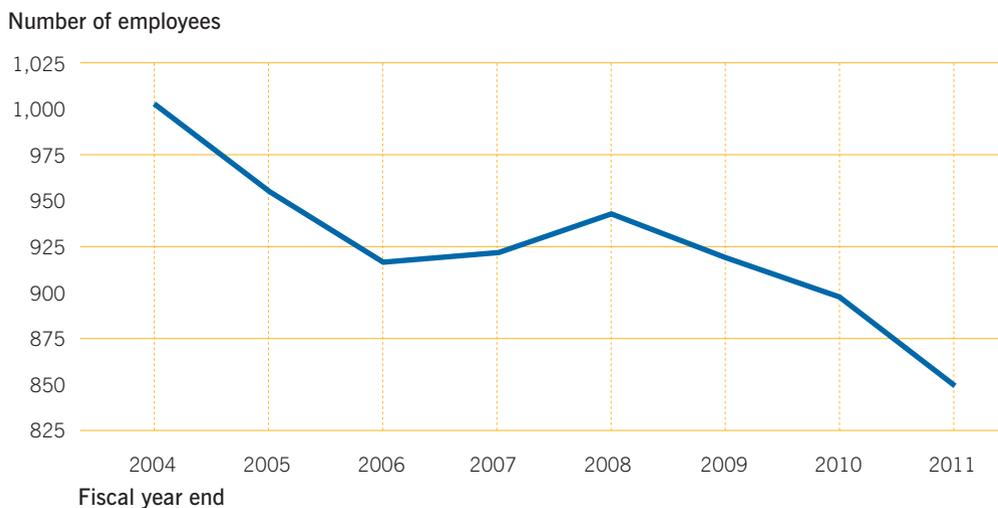
best practices throughout the recreation industry. Under this model, full-time employees plan and schedule all recreation programs and seasonal activities and manage daily operations at each recreation facility. Program delivery, however, is now performed by part-time employees who work only when leading program activities.

Despite staff reductions, the department's reorganization has resulted in increased program hours and higher-quality recreation experiences for the public. Overall program registration has increased by 37 percent in fiscal year 2010–11, and summer camp participation has doubled, generating approximately \$500,000 in new revenue. Scholarships were awarded to 2,355 families (up from 729), and Learn-to-Swim programs grew by 25 percent.

The department has also worked hard to bring overtime and worker's compensation costs under control to help reduce the financial burden. In the first half of fiscal year 2010–11, employees saved nearly \$250,000 in overtime costs and reduced worker's compensation claims by 23 percent. The department has clearly responded to the current budget environment and made necessary advances in operational and program efficiencies.

Figure 3: Staffing is in decline

RPD staffing levels have declined by more than 15 percent (150 positions) since fiscal year 2003–04.



Source: San Francisco Recreation and Parks Department, Annual Appropriations Ordinance(s), fiscal years 2003–04 through 2010–11

How much money does the RPD need?

In reviewing recent trends in staffing, programs and best practices in parks maintenance, we estimate that the RPD needs an additional \$30 million to \$35 million in annual operating funds to properly care for the parks system (see Figure 4). This includes gardeners to maintain parks; arborists to properly care for trees; custodians to clean and maintain facilities; recreation staff to ensure access to services and facilities; and park police to protect public safety. This additional funding would provide the level of staff and care necessary to offer the public clean and accessible facilities and programs.

While there is no “correct” answer for the right funding level for any public service, we have developed this estimate based on a review of the department’s programs, its current and projected staffing levels, and the operating costs required to meet its needs. As shown below, these needs are significant and interdependent: Delays in meeting staffing needs will affect maintenance costs, the quality and health

of trees and plants, the availability of recreation services and safety throughout the parks system.

We considered operational structure, expected outcomes, prospective capital and maintenance demands, and deferred capital needs that have accumulated. The RPD has completed a number of staffing assessments in recent years that help quantify ongoing operating demands to maintain the system and to ensure that programming can continue. These estimates do not include costs associated with ongoing structural and facilities maintenance; the Controller’s Office is currently analyzing these ongoing capital needs. Also not included are funds to address the department’s significant deferred maintenance needs, estimated to be approximately \$1.4 billion.

The dramatic change in the composition of RPD funding sources in recent years has driven a very deliberate strategic shift in operations and staffing. Examples of this shift include changes in the way programs and services are delivered, increased staffing to pursue earned revenue and philanthropic opportunities, and better management of facility rentals. But structural challenges remain that

Figure 4: How much more money do San Francisco parks need?

Current staffing does not meet the RPD’s needs for maintaining park safety, programs and vegetation. And additional \$30 to \$35 million per year is needed to restore RPD functions.

Positions	Description	Current	Additional need
Gardeners	Hire gardeners systemwide to conform with best practices in park management.	\$17.5 million	\$15.5 million
Urban forestry	Hire at least 40 arborists and urban forestry staff to reduce the tree maintenance cycle to 10 years (from more than 50 years).	\$2.4 million	\$4.2 million
Custodians	Hire 18 custodians to restore staffing and conform with best industry practices.	\$6.2 million	\$1.3 million
Park patrol	Implement a 24/7 dispatch and patrol operation.	\$0.9 million	\$0.8 million
Recreation	Reopen 44 clubhouses and restore Sunday and Monday operations at 25 multi-purpose recreational facilities.	\$8.6 million	\$6.9 million
Aquatics	Restore service hours to achieve operations 7 days per week.	\$2.4 million	\$2.2 million
Total		\$37.9 million	\$30.9 million

SPUR analysis based on consultant reports, RPD operational projections and analysis of best practices, payroll data and current collective bargaining agreements.

directly impact the department's operations, driven in large part by labor and benefits costs.

The combination of significant funding and staffing reductions in recent years has reinforced the need for stability in the department, both in terms of funding and overall operations and staffing. What is perhaps more important from a planning perspective is the long-term stability and predictability of the department's various funding sources. The City Capital Plan — a 10-year capital expenditure plan for city-owned facilities and infrastructure in San Francisco — has certainly assisted in this regard, by planning for regular bond issues to meet a variety of the city's capital needs. Extending this stability to operating funding would help the department pursue more efficient operations, stabilize services and reinvest savings in training, facilities and ongoing maintenance efforts.

It should be noted that capital improvements can often impact the cost of operations and maintenance. Public bond issues in 2000 and 2008, which totaled \$295 million, have enabled the RPD to make physical improvements and rehabilitate facilities, including the recent renovation and construction of a number of recreation centers. But funds for the operations and maintenance of those facilities were not included in the bond issues. As a result, RPD operating expenses increase whenever a capital project is completed.

What does the RPD do?

The San Francisco Recreation and Parks Department manages:

- 671 marina slips
- 220 neighborhood parks and natural areas
- 179 playgrounds and play areas
- 151 tennis courts
- 82 recreation centers and clubhouses
- 72 basketball courts
- 59 soccer/playfields
- 35 community gardens
- 27 off-leash dog areas
- 9 swimming pools
- 6 golf courses
- 3 stadiums

A surprising number of local landmarks are RPD properties, including:

- Palace of Fine Arts
- Candlestick Park
- San Francisco Marina Yacht Harbor
- Coit Tower
- Kezar Stadium
- San Francisco Botanical Garden at Strybing Arboretum
- Conservatory of Flowers
- Windmills in Golden Gate Park
- San Francisco Zoo
- Japanese Tea Garden
- Mount Davidson
- Camp Mather in Yosemite



flickr user Phillie Casablanca

How do other cities fund their parks?

In researching our recommendations to the San Francisco Recreation and Parks Department (RPD), SPUR looked at parks systems near and far to identify other funding models that work. Here are three the RPD should look to for inspiration and ideas.

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Partners who lead: New York City and Seattle

Philanthropic partners can do more than raise donations; they can also manage operations and programs. New York City civic leaders formed the Central Parks Conservancy (CPC) in 1980 in order to reverse the dramatic decline of Central Park in the 1970s. During the '80s and '90s, CPC restoration campaigns transformed the dangerous and blighted park into New York's crown jewel and a model for other cities. Today the CPC contracts with the New York City Department of Parks and Recreation to manage all operations, programs and maintenance throughout Central Park. The CPC generates more than 85 percent of the park's budget through fundraising and investments and has overseen more than \$550 million of capital investment in the park, including \$390 million of private donations.

Funding research and analysis is another function a parks partner can perform. The Seattle Parks Foundation (SPF) serves as the primary philanthropic partner of the Seattle Parks and Recreation Department. In addition to raising \$29 million since 2001, SPF has also completed a number of analyses and projects, including a report in early 2011 to identify sustainable funding to pay for operations, maintenance and needed repairs.



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A clear role for philanthropy: Golden Gate National Parks

One worthy model exists here in San Francisco. The Golden Gate National Parks Conservancy (GGNPC) illustrates the benefit of having clearly defined roles for philanthropic support. As the primary philanthropic partner of the Golden Gate National Recreation Area (GGNRA), the GGNPC has developed a number of capital projects that would have otherwise been impossible due to the significant philanthropic gifts that were necessary. Projects such as the transformation of Crissy Field, the development and operation of the Crissy Field Center, and the construction of trails and scenic overlooks throughout the Presidio are just a few examples of projects the GGNPC completes on behalf of the GGNRA.

Key to the success of GGNRA and GGNPC is their close coordination throughout the project cycle. The two organizations share the responsibility for determining park needs and formulating a vision for philanthropic campaigns. This unified effort enables GGNPC to lead campaigns, receive gifts and even complete capital projects such as Crissy Field using philanthropic support.

This is an area where the RPD could work to improve. In interviews with our task force, members of the San Francisco philanthropic community reported that they had experienced a lack of coordination with the RPD and its partners. Confusing interactions can result in diminished interest and support from donors. Clear definition of roles and responsibilities will be a critical step for the department and its strategic parks partners, and will help to clarify the relationship for donors and volunteers. The RPD should look to the GGNPC as a model for how to share the responsibilities of developing philanthropic priorities, coordinating requests and cultivating donors over time.

Declaring independence: East Bay Regional Parks District

While not central to this analysis, the structure and governance of decision making at the San Francisco RPD is worth noting. Cities such as Chicago have moved to create independent Rec-Park or Open Space Districts to help stabilize park revenue and operations, and to ensure the viability of parks programming. These districts vary in their size and composition, but they are functionally independent



from cities and empowered with the authority to tax or assess other fees. Independent districts can also allow for better coordination with neighboring jurisdictions. Sharing resources and collaborating on programs and services enables operational cost efficiencies, which could be of particular benefit to the RPD given its proximity to federal, state and regional parks immediately to the west and south.

A prominent local example is the East Bay Regional Parks District (EBRPD), which has achieved considerable success since its founding in 1934. In partnership with its philanthropic partner, the Regional Parks Foundation, the EBRPD manages 100,000 acres of parks and open space, including 1,200 miles of trails. EBRPD operations are funded annually through a combination of property taxes (\$91 million) and special assessment districts (\$8 million) to supplement services in certain areas. Capital improvements are funded by a \$500 million General Obligation Bond, which was extended for 30 years in 2008 (Measure WW).

SPUR does not advocate pursuing an independent district at this time, but San Francisco may be able to learn a great deal from these independent park districts over the long term. The RPD should investigate opportunities to partner with these neighboring jurisdictions to pursue cost efficiencies, programmatic collaboration and operational savings.

Recommended park funding strategies

We explored a number of different ways to grow the department's two largest funding sources: public finance and earned revenue. We also looked at other sources that could be developed into significant contributors. Among these, philanthropy has shown great promise in other park systems and has been an important component of capital funding in San Francisco. After identifying these three sources as the strongest funding opportunities, we analyzed each to identify the best ways to fortify RPD operations.

PUBLIC FINANCE

Public finance consists of funds derived from taxes, fees and special assessment districts, as well as other funds awarded in the annual budget process or set-asides defined by voter mandate. In the current fiscal year, public finance sources comprise more than 57 percent of the RPD budget, including General Fund allocations (28.1 percent) and the Open Space Fund (29.3 percent). These two sources account for \$73.4 million annually.

Public finance is a critical component of any parks funding strategy. But securing additional public financing is potentially risky, since most sources of public financing are subject to the annual budgeting process or require voter approval. Nevertheless, the physical and political limitations on generating earned revenue and the fact that philanthropy tends to be a long-term investment make public funding a necessary option for any balanced, comprehensive funding strategy. Public financing may also be a more appropriate funding option because it uses public funds to support a public amenity. If the parks can receive reliable public financing, the RPD will not need to seek other sources of funding, such as earned revenue. A number of different public finance options can work in concert with earned revenue strategies to develop revenue-generating park and recreation



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assets (e.g., using tax increment financing to finance construction of an athletic complex). This approach has been successful for a number of parks systems across the country.

We focused our analysis on achieving two goals: stabilizing the General Fund and identifying potential sources for growth. We considered a variety of current and potential revenue sources:

- General Fund support;
- General and dedicated taxes, including parcel taxes, transfer taxes, sales taxes and others;
- Assessment and/or special districts, including park improvement districts, community benefit districts and Mello-Roos community facilities districts;
- Impact fees, including development impact fees, home improvement permit fees and community benefits agreements; and
- Special fees and taxes, including health impact fees that help to offset the public cost of unhealthy behaviors by funding parks operations and facilities.

We used a number of criteria to evaluate these options, including voter threshold (a required two-thirds vote generally means that a provision would be difficult to enact), stability and predictability of revenues, alignment with the department's mission, and the balance of costs and financial benefits for each option. (In other words, is the strategy worth the cost and/or difficulty?) Because assessed property values are the baseline for public finance revenues, we can estimate public finance options more accurately than funding in other categories.

SPUR's recommendations for public finance

The following recommendations seek to support two goals: stabilizing revenue sources and increasing overall funding for the RPD.

1. Double the Open Space Fund to stabilize current funding levels (\$37.5 million).

SPUR recommends increasing the Open Space Fund from 2.5 cents to 5 cents per \$100 of property valuation. This amount would effectively match the current General Fund allocation and stabilize current funding levels, creating a foundation on which to build.

This step will allow the RPD to project operating revenues with greater certainty and will insulate the department from volatility in General Fund allocations. Increasing the Open Space Fund would ensure that revenues (1) grow with the General Fund, (2) become more predictable, thus allowing the RPD to do better planning, and (3) increase and decrease in proportion to revenues in other city departments, fluctuating according to changes in property tax revenues.

While SPUR has been exceedingly skeptical of the use of set-asides as a tool for public finance, we believe that a set-aside may be one of the most appropriate public finance sources for the department, if only to help stabilize current funding for ongoing operations.⁴ This solution certainly would not exempt the department from further staffing reductions as costs increase, but would enable more consistent planning and staffing practices and make sure the burden of increasing costs is shared proportionally with other city departments. The RPD is already subject to a number of performance reporting and planning requirements under the city charter, but it might be appropriate to add program service requirements as a condition for a set-aside measure.

There are a number of viewpoints regarding funding for set-asides. In 2007, Proposition S recommended that all set-asides identify a new revenue source from which to derive funding, but growing the existing Open Space Fund set-aside would not require *additional* revenue — the current level of General Fund contributions could simply be reallocated to this set-aside.

However, Open Space Fund revenues were intended to supplement funds normally budgeted for the department. Should the city seek additional funds to support this set-aside, it should consider deriving this funding from residential utility taxes, sales taxes, parcel taxes, development impact fees, registration and other fees from the legalization of live/work and/or secondary units, and behavior-based fees or taxes, each of which is contingent on different voter approval thresholds (two-thirds or 50 percent) and political considerations.

2. Form a citywide assessment district to enhance services and fund ongoing operations (\$15 million).

As the revenue and funding challenges of parks districts across the country have become more serious, numerous cities, counties and other areas have turned to special assessment districts to provide funding for their myriad service offerings. Forming an assessment district involves proposing new programs or services, projecting the resulting economic benefit that local property owners will receive, and then assessing a tax to cover the cost of the improvements. These districts require voter approval of 50 percent plus one of affected property owners. They can take many forms but generally leverage the desire of landowners to generate new property value through the upkeep and maintenance of nearby parks. There are three basic categories of special district:

- a) **Assessment districts** can include Landscape and Lighting Assessment Districts (LLADs), which permit local governments to levy property assessments for park or recreational improvements with voter approval. Assessment districts can be any size, ranging from a small area adjacent to a neighborhood park to an entire city or county.
- b) **Open space management districts** can be enacted by any public agency with authority to maintain trees and vegetation, improve or protect open space, and remove noxious plants.

c) **Improvement districts** can include Park Improvement Districts (PIDs), Business Improvement Districts (BIDs), or Community Benefit Districts (CBDs). Funds can be managed by a private organization, and services can be provided either by the city or by private contractors in coordination with the city. CBDs have been used to great success throughout San Francisco to supplement street cleaning, graffiti abatement and other services.

The RPD could form multiple assessment districts throughout the city or one citywide district for all parks. The approach of several individual districts has appeal because smaller districts could be more nimble and faster to enact. However, state law requires public agencies to determine funding and service levels in order to calculate the added benefits of a district, and budget figures are not currently available at the facility level. That means forming multiple districts would require changes in RPD budgeting and be more expensive to implement. Instead, we recommend a citywide assessment district, which would be easier to administer, require a single election and allow baseline funding and service levels to be defined citywide.⁵

3. Tax unhealthy behaviors to benefit recreation activities (\$16.8 million).

There are myriad examples of taxes that are used to deter unhealthy behavior, the most prominent of which is the use of tobacco taxes for tobacco-related health education and disease research. Recreation and fitness are critical elements of any public health strategy, and the RPD could benefit from local and statewide funding opportunities to support public health.

The RPD should identify progressive taxes and fees that can help promote public health, then build local support for those funds to be used for recreational activities. Many progressive taxes — including former Mayor Newsom's proposed soda tax in 2009 and current Assembly Bill 669 (which would tax sugary drinks) — have been designed to benefit health education programs. Support for recreation programs and services would be a logical extension of those efforts.

4. In SPUR's 2008 policy paper *Setting Aside Differences*, we provided a series of recommendations to help guide the process of determining the appropriate use of set-asides: (1) set-asides should fluctuate with revenues; (2) set-asides should be tied to a new revenue source; (3) the revenue source should be closely related to the service funded through the set-aside; (4) set-asides should maximize flexibility over time; (5) set-asides should be attached to clearly identifiable and measurable outcomes; and (6) set-asides should be for a public purpose that tends not to compete well in the normal budgeting process.

5. Given the analytical rigor required to form assessment districts and the wide range of districts enacted, questions remain as to the legal viability of certain types of assessment districts and how related assessments are determined. A number of legal challenges throughout California, including *Silicon Valley v. Santa Clara Open Space* (2008; California Supreme Court) have challenged the method by which variable benefits are determined for payment. However, the San Francisco City Attorney continues to facilitate the formation of CBDs in San Francisco.

PHILANTHROPY

For the purpose of this analysis, we defined philanthropy as all financial and personal contributions to the city's parks and recreation programs, including individual and collective volunteerism as well as charitable giving at all levels.

Philanthropy is perhaps one of the most complex components of a sustainable revenue strategy for San Francisco parks. While many cities and park systems across the country have leveraged considerable philanthropic funding for capital improvements, the ability to consistently raise similar funds for operating purposes is unproven.

In recent years, the department has done increasingly well in building considerable philanthropic support. RPD staff raised more than \$1 million in fiscal year 2009–10 to support operations, programming, volunteerism and capital maintenance, and an additional \$10 million was raised for capital improvements.

The bulk of the RPD's philanthropic funds come through partnerships with community partners like park trusts and councils. The independence of these partners allows them to steward private contributions, generate research and public awareness, and ensure that these gifts are effectively invested in the parks system. Across the country, other parks systems work with similar partners to raise funds in support of activities from volunteer coordination to major capital improvements.

While the RPD has joined efforts with a number of organizations over the years, the San Francisco Parks Trust (SFPT) and the Neighborhood Parks Council (NPC) have emerged as two prominent community partners. The SFPT supports the efforts of park partners through grants funding and fiscal sponsorship, and by providing access to financial management, insurance and other critical tools. It has evolved over 40 years into the RPD's primary philanthropic partner, leading countless operating and capital funding campaigns — including a \$25 million renovation of the Conservatory of Flowers — and raising more than \$1.2 million in 2010. The SFPT has also led efforts to raise operational funds, including ReCreation and the GearUp Fund, which yielded a combined \$320,000 to support volunteer workdays and equipment for recreation centers throughout the city. The NPC, founded in 1996, has likewise grown to be a leading parks advocacy organization in San Francisco, representing more than 100 park groups, 50 strategic partner organizations and 4,000 park volunteers. The NPC has also created the nationally renowned ParkScan program (which allows city residents to post observations about park conditions on a website), sponsored a number of successful bond and initiative campaigns, and brought critical attention to the funding, management and development of San Francisco parks through ongoing research and analysis. As the two leading nonprofits supporting San Francisco parks, the

SFPT and NPC are in the process of merging operations to better align their efforts and maximize their support for the city's parks and recreation programs. Their goal is to create a combined organization that coordinates all volunteerism, civic engagement, advocacy and philanthropy in support of the RPD and the city's park system.

In addition to these efforts, a number of strategic partners have taken on some of the city's most challenging park improvements. RPD partners such as the City Fields Foundation, the Maybeck Foundation and the Trust for Public Land have all tackled park improvement projects of varying size and complexity.

- The City Fields Foundation has partnered with the city on a \$45 million effort to complete field renovations and improvements at six sports fields across the city, resulting in reduced maintenance and operating costs and an additional 66,000 hours of play per year.
- The Maybeck Foundation and others have helped raise more than \$16 million in public and private funds over seven years toward the \$21 million renovation of the iconic Palace of Fine Arts.
- The Trust for Public Land has raised nearly \$11 million to restore and/or renovate Hayes Valley Playground, Boeddeker Park, Balboa Park and Potrero Hill Playground. The group is currently leading a planning and concept-design effort for Glen Canyon Park.

SPUR's recommendations for philanthropy

We examined a number of different approaches to philanthropy and volunteerism that would help to establish a long-term base of financial and other support to meet growing operational demands. We consistently found that significant philanthropic capacity exists for capital improvements, but that some very specific operational support opportunities may also exist with the appropriate level of coordination and strategic vision. In order to capitalize on these opportunities, we recommend the following:

1. Invest in the success of a single, closely coordinated parks partner and build the long-term viability of that organization.

One of the single most important strategic relationships for the RPD will be with a strong partner organization. For many years, the department has had a number of different supporting partners, each of which brought unique strengths to the table, including fund raising, volunteer coordination, community outreach and facilitating corporate sponsorship. As SFPT and NPC work to combine their operations, a tremendous opportunity exists for the RPD to forge a close and coordinated relationship with this group.

This organization will ideally serve as the sole philanthropic partner for the department, and the RPD should work closely with its partner to identify and meet the department's needs, including leadership, fund raising, coordinating volunteers and cultivating parks supporters.



The RPD should help define and execute a shared vision for philanthropic investment.

In order to make this relationship successful, the RPD must have sufficient staff to support joint tasks until the partner organization is able to take on certain roles entirely. In recent years, the RPD has hired staff to generate philanthropic and earned revenue. But the need for such staff should diminish as the current philanthropic partners consolidate operations, share information and further develop these capabilities.

2. Develop funds to support ongoing maintenance of capital improvements.

One of the many challenges of the RPD's current funding structure lies in differentiating between operations and capital expenses. This split between the two categories of expenses has bred a culture in which public funds can be raised to build or rehabilitate facilities but not to operate or maintain those facilities once they have opened. While philanthropy is certainly not the sole answer to this challenge, the RPD and its philanthropic partner should develop a policy to ensure that all capital-giving campaigns designate some funds exclusively for the maintenance and operations of these facilities to protect the investments of donors.

3. Cultivate donors over the long term.

The relationship between the RPD and its volunteers and other parks contributors must be built steadily and purposefully over time, akin to a continuum of care for parks supporters. Regular communications should be closely coordinated with annual gifts and opportunities to transition volunteers into long-term advocates and financial supporters. As part of this process, the RPD, in concert with its parks partner, should develop a coherent vision and direction for the city's park system, as well as a clear, compelling accounting of how philanthropic funding is being used. Both can be used to help attract and retain donors.

While the careful cultivation of large donors is often the focus of philanthropic efforts, it is also important to understand the

link between volunteerism and philanthropy. Today's occasional volunteers could very well turn into tomorrow's donors of a new community center. With the right care and commitment from the RPD and its partner organization, these volunteers will transition into champions, fund raisers, advocates and investors.

4. Develop a comprehensive strategy to cultivate recreation center councils and friends groups.

Many volunteers get involved in recreation councils and friends groups out of concern for their neighborhood park or recreation center. These groups are the perfect introduction to a long-term relationship with the city's parks system and are often the place where volunteers begin to develop a sense of ownership of that system. These volunteers are critical to the ongoing viability of the parks system, donating thousands of hours to effectively expand the capacity of department staff.

While supported to varying degrees by SFPT and NPC, friends groups exist because neighborhood residents band together to keep local parks clean and well maintained. Recreation councils are coalitions of facility neighbors who intend to influence facilities and recreation programming. However, the level of commitment and engagement in various groups varies widely, and their success will depend on the commitment of volunteers and on guidance from a newly merged parks partner organization.

The RPD and its parks partner can build on these groups' experience with community outreach and mobilization, as well as fund raising, by developing the department's existing toolkit for use by recreation councils and friends groups. The toolkit can help provide organizational guidance, facilitate financial support and fund raising, coordinate volunteerism and reinforce the continuum of care that develops volunteers into donors. Providing opportunities for councils and friends groups to engage in the broader system — such as citywide fund raising events — could help cultivate a relationship and an investment over time.

Beyond providing structural support, these efforts must pay close attention to the impacts of disparate income levels in communities throughout the city. Different communities have different capacities to give and very different needs, and the RPD should devise specific efforts to ensure that these engagement strategies adequately reach underserved areas.

EARNED REVENUE

Recent debates over coffee and food carts in Dolores Park, improvements to concessions at Stow Lake and user fees for non-residents at the San Francisco Botanical Garden have laid bare one of the difficult realities of the current parks funding environment: The system needs additional revenues, and if they do not come from tax dollars, there will be added pressures to earn revenue from concessions and services. While the department's focus is steadfastly on services and vendors that complement or enhance the park environment and experience, this continues to be a contentious issue.

But what many San Franciscans do not realize is that earned revenue has a significant history in the city's parks and has been among the most consistent sources of funding. A number of current RPD activities generate funds for operating and capital expenses, including golf course operating agreements; stadium leases and concession agreements; leases and fees for the Marina Yacht Harbor; permit fees and revenue from rentals of facilities, fields and open spaces; sales of food and other retail items on RPD property; fees for programs and service offerings; and revenue from parking garages throughout the city that are located under or adjacent to RPD property, such as the Civic Center garage and Union Square garage.

In recent years, earned revenue activities have grown to comprise the largest single revenue stream for the department. Since fiscal year 2005–06, the RPD's earned revenue has risen from 31.8 percent of the budget (\$37.1 million) to 36.9 percent of the budget (\$47.2 million) per year. This equates to an increase of more than \$10 million per year and growth of more than 27 percent overall.

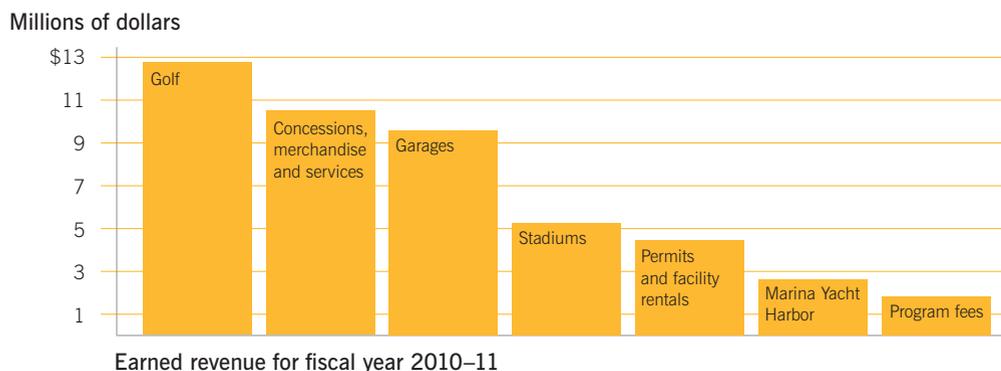
While coffee carts and other park-based concessions have garnered recent headlines and are growing as an overall percentage of earned revenue, the largest single source of earned revenue historically has been golf course operations. Golf operations have grown more than 38 percent since fiscal year 2003–04 and now comprise nearly 10 percent of the department's annual budget (\$12.7 million). Concessions are a close second, comprising 8.2 percent (\$10.5 million) of the annual budget; parking revenues from garages located under Golden Gate Park, Civic Center and Union Square generate approximately \$9.6 million every year, or 7.5 percent of the annual budget (see Figure 5). It should be noted that despite their significant revenues, golf courses continue to be subsidized by other funds.

The RPD has also moved aggressively in recent years to pursue revenue growth opportunities through improving efficiencies in existing infrastructure. For example, an enhanced online reservation and permit system increased annual field use by 35,000 hours and generated an additional \$1 million (29 percent) in revenue. Growth in the Outside Lands concert festival is another excellent example of RPD ingenuity. The festival now generates more than \$1 million per year while simultaneously driving economic activity to neighborhood businesses around Golden Gate Park.

While these efforts have been extremely helpful in growing RPD revenues to support programs and services, an explicit evaluation of how opportunities relate to the department's mission could be very helpful. Jurisdictions such as the Chicago Park District and Golden Gate National Parks Conservancy use evaluation tools that help weigh an activity's financial benefit against its appropriateness to the organization's mission. This type of tool could prove valuable to the RPD, and perhaps help to focus the department on — and rally the

Figure 5: How do San Francisco parks earn revenue?

Earned revenues are among the RPD's most consistent sources of funding. Together they bring in \$47.2 million a year and account for 36.9 percent of the RPD's total budget



Source: San Francisco Recreation and Parks Department

community behind — revenue-generating activities that most closely match the RPD’s mission.

In approaching earned revenue opportunities, we started with options that would enhance the park and recreation experience. Secondly, we looked at possibilities that could create economic value, minimize the impact on natural assets and engage community-based organizations. Of primary importance was capping program fees at current levels.

Any earned revenue proposal must ensure that revenues will be sustainable over time — both financially and environmentally. Given the mission and spirit of the department, it is important that all proposals consider their potential impact on both park users and the environment.

SPUR’s recommendations for earned revenue

1. Develop initiatives that make the most of existing structures and spaces.

The RPD currently oversees a number of closed or underused park properties that have the potential to enliven natural and community spaces, take advantage of unique structures in and adjacent to parks, and generate recurring revenue for the department. While many earned revenue opportunities or concepts could be difficult to execute, the RPD should prioritize project proposals that:

- a) Reactivate public structures or spaces (e.g., the Marina Degaussing Station, McLaren Lodge, and the County Fair Building), restore public access and attract new people to the parks;
- b) Reinforce existing city policies and generate recurring revenue to support park operations (e.g., paid on-street parking in line with the city’s Transit-First policy); and
- c) Make best use of locations to generate revenue, but do not diminish public parks, open space or the recreation experience. For example, if the RPD allows cell phone antennae on its property, the antennae must be designed to blend in with the landscape.

The most important consideration for an earned revenue opportunity is that it must enhance the park experience. We explored a number of different ways that the standard could be applied, including: activating spaces with creative and innovative retail opportunities, musical performances and other similar events; providing amenities that both complement public natural spaces and allow a broader range of residents and visitors to enjoy the parks system; adapting existing structures that are underused; and even constructing temporary structures to test different concepts in different areas of the city.

Throughout the San Francisco parks system, there are buildings, structures and outdoor spaces that are empty, underused or just overlooked. While many of these locations may require significant

investment to make them operable again, it is important to underscore the magnitude of possibility. The physical space the RPD manages makes up just under 12 percent of all real estate in San Francisco. Some of these structures are already being redeveloped; others have not been actively considered.

Engaging creative minds to determine the economic and design feasibility of adaptive reuse projects could help to create amazing attractions (e.g., the Ferry Building). Further, this same creativity could help to design structures that can generate revenue and increase services within parks.

Similarly, a previous proposal to implement paid on-street parking in Golden Gate Park would have reinforced the city’s Transit-First policy. The proposal would have encouraged park visitors to take public transit, while simultaneously generating more than \$1.4 million per year in revenue. It is important that the department revisit these proposals to determine if the potential revenue yield and the opportunity to bolster local policies are worth the fight.

2. Develop programming that creates new experiences, attracts new parks visitors and engages them in their parks.

The wide variety of parks spaces throughout the RPD system provides many different kinds of opportunities. From the urban density and tourist appeal of Union Square to the wilderness of Golden Gate Park to the emerging eco-topia of Treasure Island, the RPD should start to design concession and activity-based concepts that can open these spaces to new types of community uses.

- a) **Create urban agriculture-oriented concessions.** With all of the RPD’s wilderness and open spaces, there are a number of locations that could work well for community gardens and related activities. Not only would this encourage healthy eating and outdoor activity, but it could also incorporate environmental education. A nursery or similar facility in this natural environment would be an excellent opportunity to support the community demand for urban gardening and farming, develop job training programs and supply the city’s significant redevelopment projects with native plants grown locally.
- b) **Activate public spaces and enhance park programming.** The RPD should analyze its existing real estate assets to identify opportunities for revenue-generating activities that would attract new audiences to park spaces at different times. While the majority of park spaces are available and accessible exclusively during daylight hours, opportunities such as movie nights, evening theater productions or music performances should be programmed to make use of park spaces in the evenings. This type of activity has the potential to enliven spaces that are otherwise empty, build a community gathering place and generate revenue with concessions, sponsorships or ticket sales.
- c) **Maximize revenue opportunities from major events such as the America’s Cup.** There is no greater opportunity to experiment with new locations, retail and concession concepts, or services

than during one of the largest sporting events on the planet. The 2013 America's Cup is projected to attract 250,000 to 500,000 people to the city per day and generate more than \$1 billion in local economic stimulus. While the host city agreement defines many revenue opportunities, GGNRA, the RPD and the Port of San Francisco should also work closely with the event authority to invest in structures that can generate long-term value for the department. Although the America's Cup is a temporary event, the department can identify concession opportunities that may have lasting benefits.

3. Give the Recreation and Parks Commission greater flexibility to determine rates and fees.

One of the difficulties facing the department is the series of constraints on pricing for space rentals, facility leases and fees for fields and park space. Currently, the city charter requires that all RPD fee and rate changes be approved by the Board of Supervisors. While there are certainly reasons for the current governance structure, the RPD could benefit if it were able to respond more nimbly to trends in technology and activity pricing, including discount programs and other marketing opportunities. Restoring the commission's authority over fees, permits, programs and rentals would provide the department with the flexibility to adjust existing rates to respond to market demand — both upward and downward.

Because the Board of Supervisors must approve all fee changes, the approval process has become politicized, making it a challenge to change any fees. If the Board of Supervisors simply had veto authority over specific strategies, they could continue to exercise oversight authority while allowing the department to engage park users more effectively.

4. Structure concession agreements to engage community-based partners and ensure equitable access.

San Francisco is known for providing a wide variety of public services with community-based networks. From community health clinics to afterschool programs, these partners provide a depth and breadth of services that allows the city to provide programs where and how they are needed. The RPD should develop concession opportunities that honor individual locations, enhance the park experience, respect the character of neighborhoods, showcase the city's finest culinary and retail experiences, and strike a balance between access to services and the capacity to generate revenues.

a) Create master concession agreements that feature or reflect local San Francisco businesses to improve the visibility of small local businesses and enhance access to culinary experiences. This concept has been very successful in airports across the country where locally owned and independently operated businesses are featured. This strategy could be applied in the city's parks to provide retail and concession opportunities that might otherwise be unavailable to local businesses.

b) Bundle concession agreements to ensure access to services in parks across San Francisco. This concept has been successfully executed in cities such as Chicago, where concession agreements are grouped to include services at major or regional parks as well as at a number of neighborhood parks. Such agreements could offer incentives for providing services in underserved areas.

Given the challenges associated with concessions and other earned revenue opportunities, there is a very real need to harness the support and creativity of the community in developing and delivering revenue-generating services. This can take many forms, but it is important that there be a sense of ownership or personal connection to new park features. This could mean food concessions that feature local establishments; operating agreements that benefit the nonprofit service community; or even partnerships that capitalize on burgeoning movements such as food carts, trucks and other mobile food service. Likewise, studying the capacity and demand for these types of services in various locations could help the department determine the financial viability and/or public support for such services.

In developing these opportunities to collaborate with other agencies and the community, we can learn a number of useful lessons from our own backyard. For example, when reconstruction began on Doyle Drive Parkway, the Crissy Field Center had to be relocated, which entailed building a temporary structure in a sensitive riparian environment. The National Parks Service, the Golden Gate Parks Conservancy, Caltrans and Project FROG (Flexible Response to Ongoing Growth) worked together to move the Crissy Field Center from its historically significant home to one of the greenest park-based buildings in the nation. The temporary arrangement allows the Crissy Field Center and its partners to test the location and building concept in a way that is entirely reversible, while assuring continuous operations while the Doyle Drive project is completed. Collaborating with community partners could likewise yield innovative ways to unlock the potential of the city's park system.

Conclusion

No single strategy will solve the RPD's funding crisis. A combination of tactics will be required to help bridge the gap. SPUR believes there are numerous revenue sources that can improve the park experience while simultaneously attracting additional users to the city's open space and maintaining the public spirit of our parks.

The magnitude of the problem facing the RPD is considerable and not all recommendations will provide funding right away. However, it is clear that if the RPD does nothing, it will likely suffer from continued declines in the General Fund. We have identified at least \$30 million of potential public finance solutions that would create a more reliable foundation from which to restore programs and facilities. With the addition of continued efforts to generate earned revenue and a renewed commitment to philanthropy, there appears to be a path forward for the department.

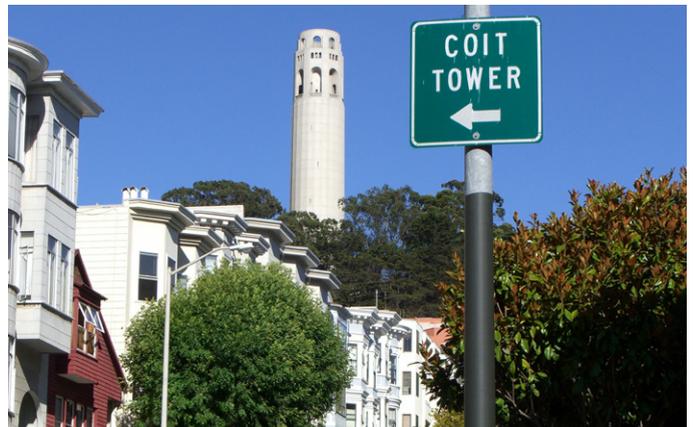
We hope that SPUR's recommendations help to inform the conversation about what level of funding the RPD needs in order to be the world-class parks system we expect. San Francisco has many special public spaces, iconic landmarks and abundant natural beauty, and we need to take steps to ensure that these assets are maintained. This will require leadership and political will, and the first step is for the city's residents to have an open mind about what their parks can truly be.



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