

APPROVED
APR 17 2006

REPORT OF GENERAL MANAGER

NO. 06-98

DATE April 17, 2006

**BOARD OF RECREATION
AND PARK COMMISSIONERS**

C.D. Various

BOARD OF RECREATION AND PARK COMMISSIONERS

SUBJECT: TRANSFER AND APPROPRIATION OF FUNDS IN THE MUNICIPAL RECREATION PROGRAM (MRP) FUND TO COVER FINANCIAL DEFICITS FOR FOUR SWIMMING POOL REPAIR PROJECTS AND TWO PEDAL BOAT OPERATIONS

J. Combs _____ J. Kolb _____
H. Fujita _____ *F. Mok ea _____
S. Huntley _____ K. Regan _____
B. Jensen _____ M. Shull _____

Robert H. Jensen (R)
General Manager

Approved /

Disapproved _____

Withdrawn _____

RECOMMENDATIONS:

That the Board:

1. Subject to approval by the Mayor, authorize the transfer of \$5,000,000.00 from MRP 965 in Fund 301, Department 88, to Fund 302, Department 89, and appropriate into four new accounts as follows:

Account No.	Account Title	Amount
801-00	Echo Park Deep Pool	\$ 720,000.00
802-00	Harvard Pool	2,000,000.00
803-00	Lanark Pool	1,800,000.00
804-00	Northridge Pool	480,000.00

2. Authorize the transfer of \$682,109.33 within Fund 301, Department 88 as follows:

From:	MRP 965 – Administrative Support	\$682,109.33
To:	MRP W14 – Echo Park Boathouse	337,931.25
	MRP 281 – MacArthur Boat Rental	344,178.68

3. Authorize the General Manager or his designee to make technical corrections as necessary to those transactions included in this report.

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SUMMARY:

In November 2005, the Office of the City Controller released a financial audit entitled "Financial and Compliance Audit of the Department of Recreation and Parks" that reviewed the Municipal Recreation Program (MRP) Fund. One of the main findings was related to the MRP Fund's balance growth over the last few years. Additional findings referenced the use of this Fund for more than its originally intended purpose. These issues are being reviewed and addressed.

The Department's MRP Fund contains 487 sub-accounts which have been reviewed by Department management to identify their current use, and determine their future usage. During our review of these sub-accounts, it was determined that a portion of the overall MRP Fund balance could be made available for one-time use. It was also determined that the best and most critical need for the available balance was the repair of four Department swimming pools. All MRP accounts' balances were assessed and those with higher balances were identified for larger contributions toward the goal. In order to incorporate equitability in this assessment, funds were taken from the accounts based on a sliding scale, resulting in a recommendation to transfer funds from many of these sub-accounts totaling \$5,682,109.93 that will be applied toward repair of four swimming pools and correction of the two pedal boat operational deficits.

This report addresses the re-allocation of \$5 million for repairs at four pools, as well as \$682,109.93 to be used for the pedal boat operations at Echo Park Lake and MacArthur Park.

Pool Repair Deficits

Recreation and Parks has an aging inventory of pool facilities. Many of the Department's pools were originally constructed between 1920 and 1930. Many of these pools are now in need of major repairs and renovations to keep them operational. Four pool replacement or repair projects which are currently in the construction or planning stage have funding shortfalls due to increased construction costs.

In order to improve the quality of life in communities that are most in need, and to meet an aggressive timeline in bringing the Department's pools back into service, the Mayor's Office began evaluating the potential use of MRP funds for this purpose. In February 2006, the Mayor directed the Department to re-allocate \$5 million from the MRP Fund to cover project shortfalls for repairs of four of the Department swimming pools: (1) Northridge Pool at \$480,000; (2) Harvard Pool at \$2,000,000; (3) Lanark Pool at \$1,800,000; and, (4) Echo Park Deep Pool at \$720,000. This funding will allow these pool projects to continue on their projected completion timelines.

Pedal Boat Operations

The Department self-operates pedal boats at four locations: Hansen Dam Aquatic Center, Lake Balboa, MacArthur Park Lake, and Echo Park Lake. The Hansen Dam and Lake Balboa operations

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generate sufficient revenue to cover their expenses; however, operations at MacArthur Park and Echo Park Lakes have incurred deficits. The pedal boat operations at Echo Park and MacArthur Park Lakes generate insufficient revenue to fully cover their expenses. Although the service is appreciated by underserved and population-dense areas, something must be done to bring these operations into a positive cash flow in order to continue them.

In Fiscal Years 2000-01 through 2004-05, the four pedal boat operations generated \$719,863 in revenue and incurred \$1,226,103 in expenses. These operations are not totally covering themselves, and their expenses exceeded their revenue by \$505,240. Below is a breakdown of their revenue and expenses from Fiscal Years 2000-01 through 2004-05:

Facility	FY 2000-01 to 2004-05		Difference
	Revenue	Expense	
Hansen Dam Aquatic Center	\$219,961.00	\$191,993.00	\$ 27,968.00
Lake Balboa	\$306,583.00	\$267,392.00	\$ 39,191.00
MacArthur Park Lake	\$ 49,657.00	\$322,478.00	\$(272,821.00)
Echo Park Lake	\$143,662.00	\$444,240.00	\$(300,578.00)

As of February 28, 2006, the Echo Park and MacArthur Park Lakes' pedal boat operation had combined deficits in the amount of \$682,109.93. Funding has currently been identified in the MRP Fund to cover this deficit; however, this funding shortfall is an ongoing problem that continues to accumulate each month. Department management is currently reviewing various options to correct this ongoing problem and thus alleviate future pedal boat financial deficits. Future deficits will be avoided by a combination of reducing operational hours and securing additional budget resources.

In a subsequent proposal to the Board, Department management intends to redefine the future use of the MRP Fund and the types of accounts that will exist within this Fund. This future report to the Board will further assist RAP in addressing some of the recommendations identified in Controller Chick's audit of Department financial operations.

FISCAL IMPACT STATEMENT:

Funding totaling \$5,682,109.93 has been identified in the MRP Fund to correct financial shortfalls in four pool repair projects and address existing financial deficits in the Echo Park Lake and MacArthur Park Lake pedal boat operations. This transfer of funds from the MRP Fund provides a one-time funding source for these items. The pedal boat operations are undergoing review to identify a viable financial plan and strategy to alleviate future financial deficits. This transfer has no direct effect on the General Fund.

This report was prepared by Regina Adams, Chief Management Analyst, Finance Division, Budget and Accounting Section.