



AGENCY: City Council

MEETING DATE: October 23, 2023

DEPARTMENT: Finance/CV Starr

PRESENTED BY: I.Whippy / M.Wooden

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AGENDA ITEM SUMMARY

TITLE:

Receive an update on the Termination of the Current CV Starr Operating Agreement with the Mendocino Parks & Recreation Parks District

BACKGROUND & OVERVIEW

Development of the C.V Starr Community Center

In 1978, using Park Bond Act monies, Mendocino Parks & Recreation District (MCRPD) obtained a five-acre parcel known as Green Memorial Field in central Fort Bragg, and in 2006, began construction of its new facility at this location. The C.V. Starr Foundation provided more than \$20 million dollars in funding support for the facility, and in August of 2009, the C. V. Starr Community Center and Sigrid and Harry Spath Aquatic Facility opened to the Public. It is home to two pools, fitness and dance rooms, multi-purpose rooms, and the business offices.



2009-2011 Financial Challenges threatened the Operation of the Center

In 2011, the District faced insolvency when its debt obligations and operating expenses far exceeded its revenue sources. During the period 2006-2011, the District spent all of its reserve funds, borrowed \$2.3 million to refinance the regional park/golf course property and project costs, and borrowed and spent future property tax revenues. During this period, The District looked at various options for increasing revenues, including forming a Community Facilities District (CFD) or implementing a parcel tax. In October 2011, the District Board authorized the closure of the C.V. Starr Center to address its critical financial situation immediately.

2011-2012 The City of Fort Bragg and the MCRPD Negotiated a Plan & Agreement to provide for the continued operation of the CV Starr Center

In October 2011, the Fort Bragg City Council discussed and authorized the strategy of placing a half-cent sales tax measure before the voters to provide a dedicated revenue stream for operation, maintenance, and capital improvements at the C.V. Starr Community Center.

November 2011 Memorandum of Agreement between the City of Fort Bragg and MCRPD for the Proposed CV Starr Community Center Special Sales Tax measure

In November 2011, the City Council of Fort Bragg and the Mendocino Coast Recreation and Park District's Board of Directors approved an agreement to the terms and conditions of financing the operation of the

C.V. Starr Community Center through the Special Sales Tax Measure. The key provisions of this agreement included the following requirements.

- Transfer of Ownership of the CVSCC to the City of Fort Bragg
- Property Tax-Sharing Agreement
- Operating Agreement

March 2012 – Sales Tax Measure Approved, Operating & Tax Sharing Agreements Implemented

In March 2012, the passage of Measure A, the C.V. Starr Center Operation and Maintenance was fully funded by the half-cent sales tax. The C.V. Starr Center is owned by the City of Fort Bragg and operated by the MCRPD in accordance with an Operating Agreement between the two entities. The C. V. Starr Director, an MCRPD employee who reports directly to the MCRPD Board, is responsible for the day-to-day administration of the C. V. Starr Center, and the MCRPD Board is responsible for key policy decisions. The Fort Bragg City Council adopts the annual operating Budget for the Center and establishes the fee schedule. Together with the MCRPD, the City is responsible for ensuring that the Center operates in a fiscally sustainable manner.

The City of Fort Bragg took the title of the C.V. Starr Community Center on May 14, 2012, to ensure that the facility remains accessible to residents and visitors of Fort Bragg and the Mendocino coast- an action consistent with the previous Council's goal of promoting healthy lifestyles through active recreational facilities.

2020-21 COVID-19 & Impacts on the Center Operations

Due to the pandemic and shelter-in-place orders, the Center ceased operations on March 19, 2020. All employees but a few essential employees were laid off. During this time, management of the Starr Center began to work closely with the City of Fort Bragg. The financial future of the Starr Center became concerning. In July 2021, the C.V. Starr Center was able to reopen but with fewer employees. In the coming year, it became apparent that the cost of day-to-day operations had significantly risen, in some cases, more than doubled, particularly Utility, insurance, and personnel costs. In the new operating agreement, approved in 2022, the City's Finance Department took over CV Starr's Finance operations, including Payroll, budgeting, Accounts payable, and Accounting.

August 2023 – MCRPD gave formal notice to the City of Fort Bragg to terminate the CV Starr Operating Agreement

On August 2, 2023, at a Special meeting of the MCRPD, the Board voted unanimously to terminate the operating agreement of the C.V. Starr Community Center and provided the City of Fort Bragg notice to start the process of dissolving the operating agreement immediately. The recently formed Ad-Hoc Committee and City Staff immediately began to formulate plans to take over the operations of the Center. These plans include an in-depth review to identify strategies and an operational model that would improve the overall cost-effectiveness, efficiency, and success of the Center—moreover, evaluating the financial feasibility of estimated costs to the City of Fort Bragg and the impacts on current City departments.

More importantly, establishing a financial plan and staffing model to ensure that the facility remains open and accessible to residents and visitors of Fort Bragg and the Mendocino coast- an action consistent with the previous Council's goal of promoting healthy lifestyles through active recreational facilities.



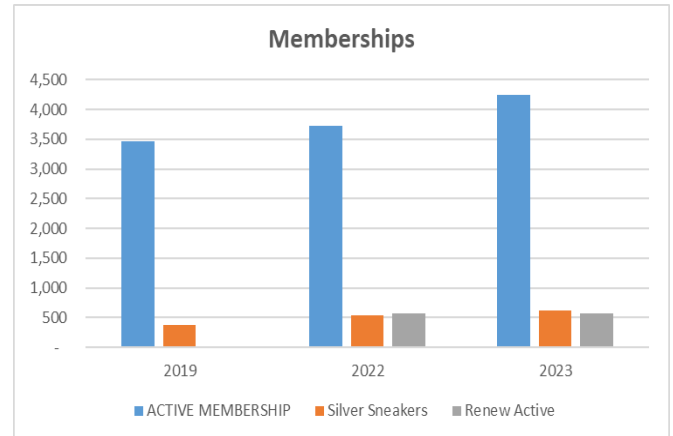
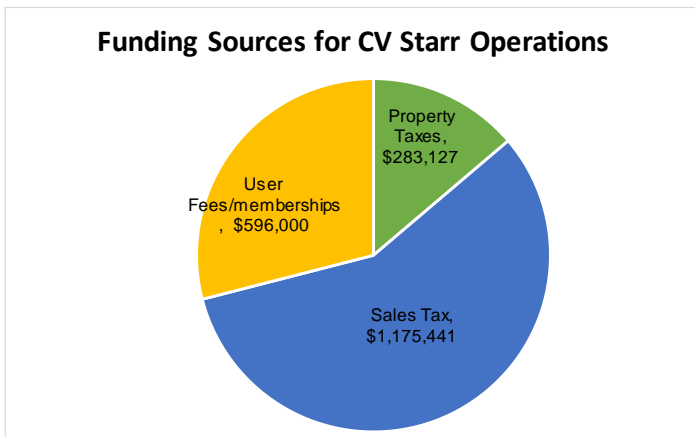
ANALYSIS

The C.V. Starr is an Enterprise fund in which services provided are financed and operated similarly to a private business. The fee schedule for these services is established to ensure that revenues are adequate to meet all necessary expenditures.

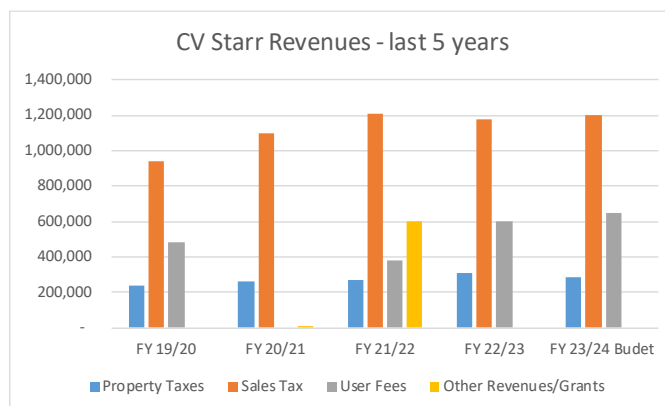
Revenues

The C.V. Starr Center Enterprise fund accounts for all operations of the Center, including the local sales tax, property taxes collected by the City as part of the property tax sharing agreement, and operating revenues (memberships). Operating revenues and user fees consist of three main categories:

- General Admission revenues consist of user fees collected through drop-in visits, the sale of memberships, and other admissions. The Center has 4,250 active memberships, including punch passes purchased, a 14 percent increase from the prior year and a 23 percent increase from pre-pandemic. There are 615 enrolled in the seniors Silver Sneakers program.
- Registration revenues are collected for activities such as enrichment programs, swimming lessons, dance classes, kayaking, kids' night out, and art classes.
- Rental of facilities include birthday party room rentals and pool rentals. The Mendocino Coast Sea Dragons Swim Team, Fort Bragg High School Swim Team, Mendocino High School Swim Team, and Tidal Waves (Special Olympics) Swim Team all rent lanes in the Lap Pool during weekday evenings for practice. Other schools and clubs, some from out of the area, rent the leisure pool by the hour. The Center is also a popular place to have Birthday Parties.



The FY 2023/24 Adopted Budget estimates are \$2.1 million in revenues from the three sources mentioned above. Listed below are the historical trends of revenues for the Center.



There are no expected significant changes to revenues other than the new fee increases proposed this evening. If approved, an additional \$180k annually will be generated to keep up with increasing annual operating costs.

In 2024, the City intends to develop a business plan and pricing policy that will serve as a management tool for establishing, implementing, and evaluating various fees and revenue options for the C. V. Starr operation. Establishing a business plan and pricing policy may allow for additional programs and facilities to be made available to enhance the level of service or quality of programs as well as provide higher quality services with limited operational dollars.

A business plan that establishes a cost recovery and pricing policy model will provide Staff with consistent guidelines in pricing admissions, use of facilities, and establishing program fees based on the individual benefits a user receives above a general taxpayer. The plan will help the Center address revenue goals to support operational costs, provide greater fairness in pricing services to users, and help support the implementation of future programs, facilities, and services. A cost recovery and pricing policy also allows the facility users, Staff, and general taxpayers to better understand the philosophy behind a program or service pricing. The model will help identify public services and individual benefit services that can be priced using either a partial overhead pricing strategy or a variable cost pricing strategy. Partial overhead pricing strategies recover all direct operating costs and some determined portion of fixed indirect costs. The portion of fixed indirect costs not recovered by the price established represents the tax subsidy.

Expenditures & Capital Improvements

Tax revenues alone cannot sustain the daily operational costs of the C.V. Starr Community Center or set aside reserves to fund the increasingly extensive list of capital improvements needed, totaling \$2.6 million in the next five years. In 2020, the Center was closed due to COVID restrictions. As a result, the Center was able to build up reserves to \$2.2 million at the end of FY 21/22 from \$702k pre-COVID reserve levels. This resulted from COVID relief funds from State Parks of \$602k and savings in operating expenditures. In the FY 2023/24 adopted Capital Improvement Budget, \$1.7 million is approved to replace the HVAC Air intake system, depleting reserves to \$520k. Post-pandemic presented further financial challenges for the center in recruiting lifeguards and substantial increases in operating costs, particularly utilities and insurance.

FY 2023/24 Adopted Operating Budget is \$2.1 million, an increase of 17% from the prior year. The \$1.4 million personnel budget includes 14 full-time positions receiving benefits such as medical insurance, vacation, and sick leave and 59 part-time positions averaging 4 hours a week, with a shared District Administrator at the time of Budget development.

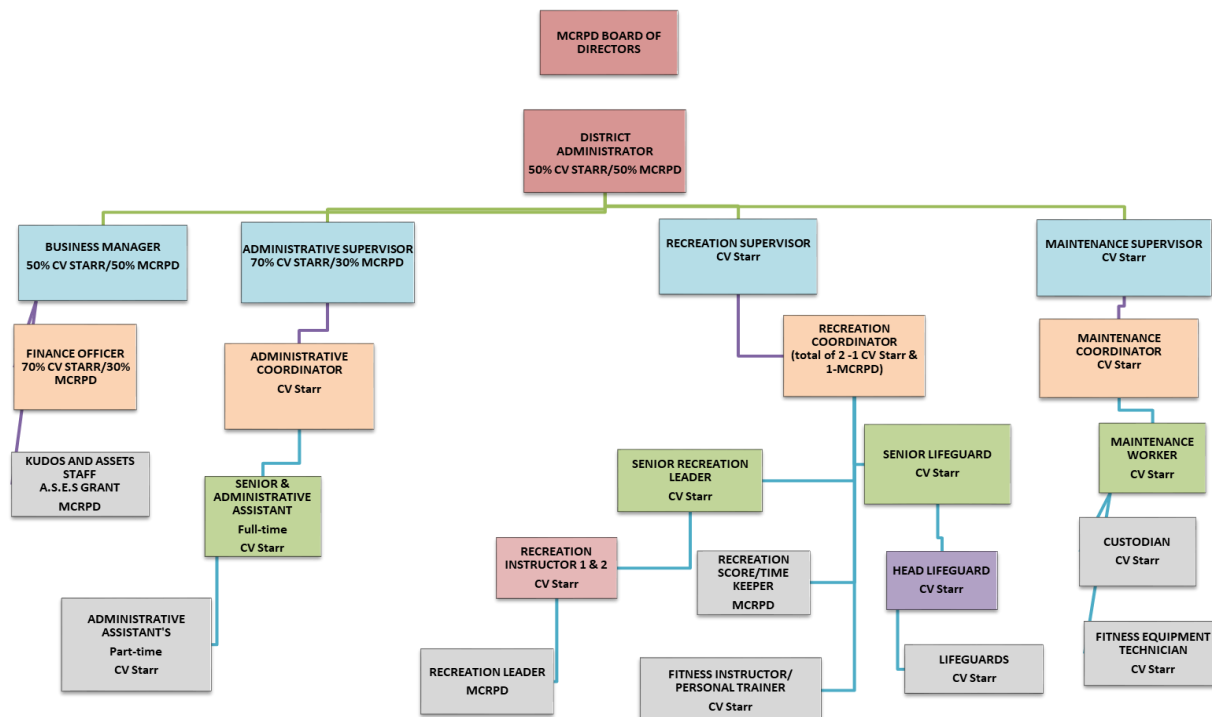
Expenditures	FY 19/20	FY 20/21	FY 21/22	FY 22/23	FY 23/24 Budet
Salaries & Wages	\$ 771,640	\$ 177,011	\$ 669,901	\$ 1,021,448	\$ 1,331,108
Benefits	\$ 90,326	\$ 87,709	\$ 96,438	\$ 98,116	\$ 108,669
Non-Personnel	535,428	266,097	674,393	638,131	680,938
Total	\$ 1,397,394	\$ 530,817	\$ 1,440,732	\$ 1,757,695	\$ 2,120,715

STAFFING ANALYSIS

The Staffing plan and cost for both full-time and part-time employees were evaluated. The Center consists of three main departments: Guest Services (front desk), Maintenance, and Recreation, which encompasses both pools and fitness classes on the gym side. As depicted below, the number of permanent employees employed by the center previously is slightly higher than other staffing structures utilized in the operation of a similar size and scope facilities, according to the operation assessment and Analysis completed in 2015 by Shellito Training and Consulting.

Attached are the two different organizational charts. One represents the organizational structure of the Center as of July 2021, with certain employees split between the District and the Center, while the other represents the current organizational structure, a hundred percent C.V. Starr.

MCRPD & CV STARR ORGANISATION STRUCTURE



Finance/Business Manager

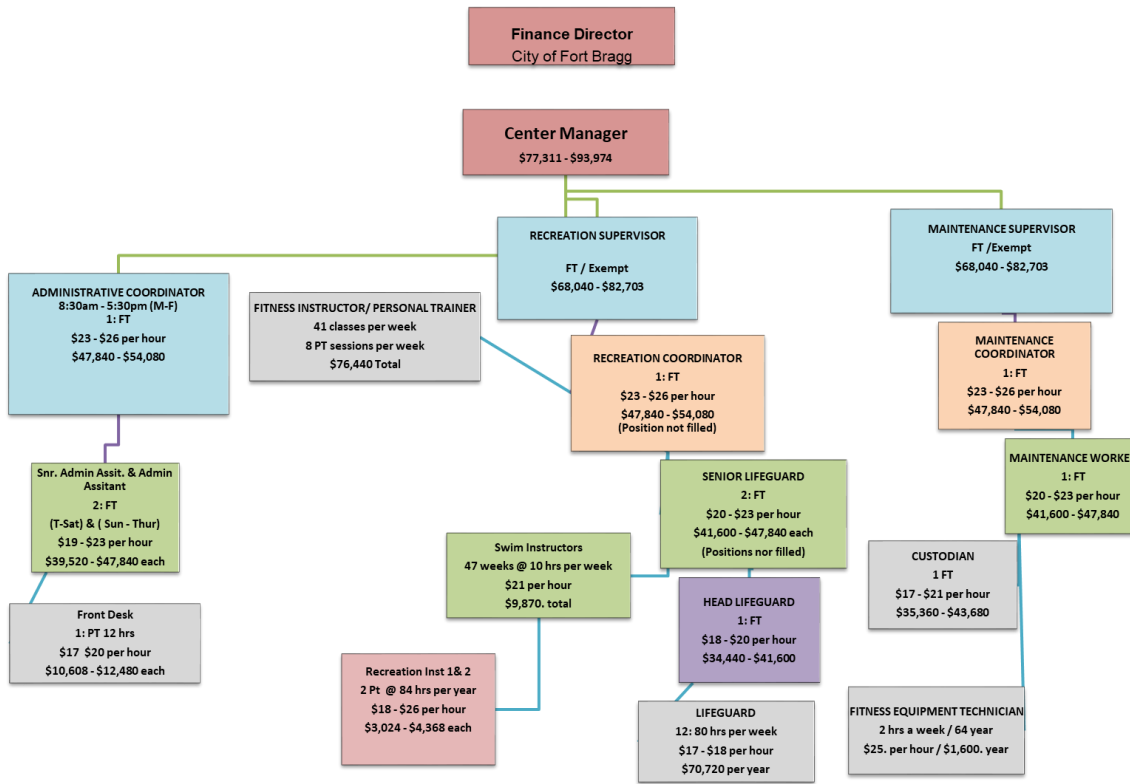
Depicted above is the 2021 Organization chart between the District and the CV Starr Center- There was a District Administrator, Business Manager and Finance Officer. When the Center reopened in July 2021, the position of the Business Manager was absorbed by the District Administrator. In September 2022, the position of the Finance Officer was eliminated, and all CV Starr finances function were absorbed by the City of Fort Bragg Finance Department. Eliminating the Business Manager position resulted in savings of \$58,560 per year while eliminating the position of Finance Officer saved another \$61,505 per year. It should be noted that these two positions were shared between CV Starr and MCRPD.

Guest Services Department

Guest Services department has a total of four full-time employees and two part-time employees needed to staff the center six days a week from 6 a.m. to 7 p.m. daily with a total personnel costs of \$234,559. In August of this year, the Guest Services Supervisor became vacant. The plan is not to fill the position, resulting in a saving of \$75,816 annually.

Maintenance Department

The department has three full-time positions, and two part-time positions with a total annual personnel cost of \$254,945. Moving forward, the Staff is evaluating the staffing to identify areas where cost savings can occur while ensuring we are covering operation needs.



Recreation Department

The Recreation Department has experienced post-pandemic staffing challenges to fill vacant lifeguard positions. While management staff has covered the shortages, it has become physically impossible to fill in all the gaps while still trying to keep up with the demands of daily responsibilities. The aquatics side urgently needs to fill two full-time Coordinator and full-time Senior Lifeguard positions. The proposed budget includes \$595,095 in personnel costs, which includes 50 part-time lifeguards averaging 2-4 hours a week.

Pre-pandemic, the Center offered 72 fitness classes at an annual cost of \$112,320. Staff evaluated these classes, accounting for attendance levels and cost of instructors, and recognized the need to substantially reduce the number of classes offered, as very few facilities offer these many classes to their members. With the proposed changes, the cost of instructor classes will decrease to 41 classes at \$76,440. As with all activities throughout the facility, management will continue to monitor the fitness classes and public needs before making changes.

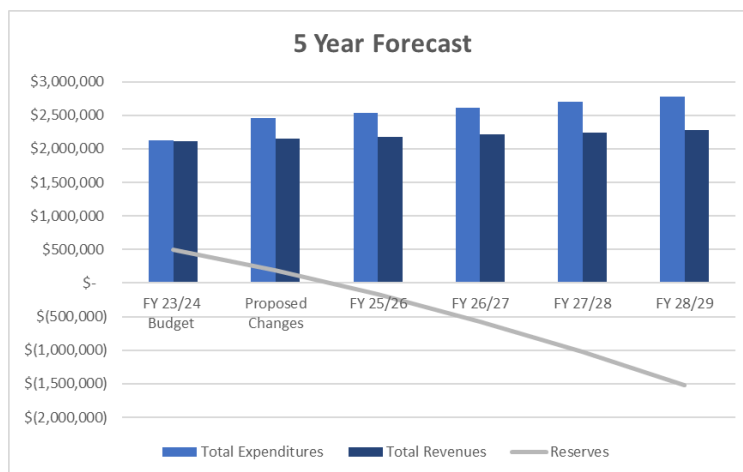
FISCAL IMPACT:

With the transition of an estimated 14 full-time employees into the City of Fort Bragg, personnel benefit costs are expected to increase to \$528,936, offset by the elimination of current CV Starr benefits of \$108,669, which is the most significant cost increase in the proposed transition. The City benefit package, which includes dental, medical, vision, and CalPERS, is as high as \$40k per

employee, depending on the benefit plan and total compensation. Salaries and wages are projected to decrease as staffing efficiencies have been realized with

Additionally, \$100,000 is being included as part of the City's Cost Allocation Plan to capture indirect costs such as Accounting, IT, and Human Resources that would be incurred by the C.V. Starr enterprise and paid back to the General Fund. Accounting, IT, Legal, and Human Resources are considered indirect costs because the entire City organization is served by these shared administrative services expenses. Each of these City departments or divisions incur costs for the support they provide to other City departments. Indirect cost allocation is an accounting study by which estimates are made to distribute indirect costs to City programs or functions in order to approximate their full cost. The City has hired a consultant team to systematically review the City cost allocation plan to include the C.V. Starr Enterprise fund and develop a rational methodology to equitably charge back the cost of internal services to City departments. C.V. Starr will need to pay their proportionate costs for shared services.

	FY 23/24 Budget	Proposed Changes	FY 25/26	FY 26/27	FY 27/28	FY 28/29
Salaries & Wages	\$ 1,331,108	\$ 1,179,128	1,214,502	1,250,937	1,288,465	1,327,119
Benefits	108,669	528,936	544,804	561,148	577,983	595,322
Non-Personnel	680,938	655,938	675,616	695,885	716,761	738,264
Cost Allocation(indirect costs)	-	\$ 100,000	105,000	110,250	115,763	121,551
Total Expenditures	\$ 2,120,715	\$ 2,464,002	\$ 2,539,922	\$ 2,618,220	\$ 2,698,971	\$ 2,782,256
Property Taxes	\$ 283,127	285,958	288,818	291,706	294,623	297,569
Sales Tax	1,199,769	1,211,767	1,223,884	1,236,123	1,248,484	1,260,969
User Fees	596,248	613,248	630,248	647,248	664,248	681,248
Other Revenues	40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000
Total Revenues	\$ 2,119,144	\$ 2,150,973	\$ 2,182,950	\$ 2,215,077	\$ 2,247,356	\$ 2,279,787
Net Expenditure	\$ (1,571)	\$ (313,029)	\$ (356,972)	\$ (403,142)	\$ (451,616)	\$ (502,469)
Reserves	\$ 502,000	\$ 188,971	\$ (168,001)	\$ (571,143)	\$ (1,022,759)	\$ (1,525,228)



Based on the projections, a shortfall for the next five years of \$313k to \$502k in FY28/29 would need to be addressed. The projections already include the decrease in the number of fitness classes/programs, resulting in cost savings of \$36k and not filling the Guest Services Supervisor position of \$85k. Staff will continue to evaluate the current staffing model and operating costs to improve the overall cost-effectiveness efficiency to achieve financial stability and maintain the

operations of the center.

Capital Improvements Program (CIP) -5 year outlook

CV Starr Capital Improvements -Five Year Fiscal Plan					
CIP Improvements	FY 2023-2024	FY 2024-2025	FY 2025-2026	FY 2026-2027	FY 2027-2028
HVAC - AIR INTAKE PROJECT	1,600,000.00				
BACKWASH SYSTEM	8,000.00				
AUTO FILL SYSTEM					
ONE SHOWER IN MEN'S LOCKER ROOM		25,000.00			
MEN'S LOCKER ROOM FLOOR					
WOMEN'S LOCKER ROOM FLOOR					
FIRE PROGRAMER BOX		30,000.00			
ASPHALT SEALING		40,000.00			
HOT WATER BOILER - Heat Building				30,000.00	
HOT WATER BOILER - Heat Building				30,000.00	
PHASE 1ELECTRICAL BOX - BLD WIDE BREAKERS, ECT - BLD WIDE			40,000.00		
PHASE 2 ELECTRICAL BOX - BLD WIDE BREAKERS, ECT - POOLS			40,000.00		
HRU1 EXHAUST BLOWER - GYM FITNESS ROOM		50,000.00			
HRU2 EXHAUST BLOWER - EAST HALLWAY					50,000.00
HRU3 EXHAUST BLOWER- FIT/DANCE ROOM		50,000.00			
HRU4 EXHAUST BLOWER - SPIN ROOM					50,000.00
HRU5 EXHAUST BLOWER - RECEPTION DESK			50,000.00		
HRU6 EXHAUST BLOWER - FRONT BATHROOMS					50,000.00
HRU7 EXHAUST BLOWER - FRONT OFFICES					50,000.00
HRU8 EXHAUST BLOWER - MULTIT- ROOM			50,000.00		
HRU9 EXHAUST BLOWER - LOBBY AREA			50,000.00		
HRU10 EXHAUST BLOWER - CENTER OFFICES			50,000.00		
HRU11 EXHAUST BLOWER - WOMEN'S LOCKER ROOM		50,000.00			
HRU12 HRU10 EXHAUST BLOWER -MEN'S LOCKER ROOM		50,000.00			
HRU13 EXHAUST BLOWER - EAST CORRIDOOR					50,000.00
SKYLIGHTS OVER FRONT DESK			100,000.00		
POOL HEATER - LEISURE POOL BOILER				35,000.00	
POOL HEATER - COMP. POOL BOILER				35,000.00	
TOTAL	1,608,000.00	295,000.00	380,000.00	130,000.00	250,000.00

IMPLEMENTATION/TIMEFRAMES:

The City received notice from the District to terminate the operating agreement on August 2, 2023, effective in 6 months, on February 2, 2024. The City acknowledges that such termination will require a substantial amount of time to accommodate ongoing obligations at the Center and to enable full separation of responsibilities and obligations of the City and the District.

The C.V. Starr Ad-Hoc Council Committee and City staff will continue to review and identify operational changes that would improve the overall cost-effectiveness, efficiency, and success of the Center and ensure the separation from the District is as expeditious as possible. Once a definite date is established, Staff will bring forward a resolution to the City Council to formalize the dissolution date for both parties.

ATTACHMENTS:

1. Operating Agreement
2. Notice from MCRPD Board