

REPORT OF GENERAL MANAGER

APPROVED

NO. 06-156

DATE June 7, 2006

JUN 07 2006

C.D. Various

BOARD OF RECREATION AND PARK COMMISSIONERS

SUBJECT: REDEFINING THE PURPOSE AND USE OF THE MUNICIPAL SPORTS ACCOUNT (COMMONLY REFERRED TO AS THE MUNICIPAL RECREATION PROGRAM FUND) AND RESTRUCTURING OF ITS EXISTING 487 ACCOUNTS

J. Combs _____	J. Kolb _____
H. Fujita _____	*F. Mok <u>Sm.</u>
S. Huntley _____	K. Regan _____
B. Jensen _____	M. Shull _____

Robert H. Jensen (Sr)
 General Manager

Approved Disapproved Withdrawn

RECOMMENDATION:

That the Board adopt the attached resolution:

1. Authorizing the redefining of the Municipal Sports Account under Fund 301/88 for adult leagues, aquatics, camps, child care centers, golf tournaments, park rangers, recreation centers and programs for seniors, museums, Pershing Square Youth and Exposition Park Intergenerational Community Center (see Attachment 1); and
2. Approving , subject to approval of the Mayor, the consolidation and transfer of funding as of June 30, 2006, of 487 existing accounts within the Municipal Sports Account Fund 301/88 to various other existing Funds as detailed in Attachment 2.

SUMMARY:

In September 1954, the Board of Recreation and Park (RAP) Commissioners adopted a resolution (Resolution No. 1695) that established a special revenue fund called the Municipal Sports Account (MSA) to hold funds on behalf of voluntary and adult athletic organizations. These funds were not considered Department revenue. The reason for this action was to aid adult participation in municipal sports programs at recreation centers and parks. These programs had become so popular that a standard procedure was needed to handle the organization of the sports leagues. In general, the resolution required receipts and disbursements to be separately tracked for each organization.

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Two significant changes in the MSA occurred over the years. First, as additional programs developed, recreation directors began to take control of the accounts rather than hold funds for voluntary organizations. As a result, the Department began to dramatically increase the number of services and programs being offered to the community. Second, the Department added childcare programs, camping and aquatic programs, senior programs, after-school clubs, and fine art and cultural classes that covered a wide variety of subjects such as art, dance, drama, music, homework assistance, computer labs, and sports instruction. Eventually, the old MSA became known as MRP, Municipal Recreation Program. As the accounts in the MRP Fund began to develop, so did the Department's operational complexity, size, and mission. The MRP became a revolving fund created by collecting fees from users and the money generated was recycled back into paying for program expenses.

Over time, MRP became the financial mechanism for Department operations to collect fees for cost recovery of programs, as well as to develop and fund new program areas. As the establishment of MRP accounts grew and became more common in Department operations, the use of MRP accounts eventually expanded beyond the original intent of Board Resolution No. 1695 in order to serve the increased community needs and demands. Accounts were allowed to develop in operational areas that did not require a revolving fund but rather used funds for operations and capital improvements. Currently, the Department has a total of 487 MRP accounts.

In a prior effort to clarify the practices in MRP, on August 12, 2002, the Board approved Board Report No. 02-299. The intent of Board Report No. 02-299 was to assist in the continued use of MRP funds for the wide variety of items that were necessary for the continued support of Department activities. However, as a result of the Controller's recent financial audit; it now appears that Board Report No. 02-299 was not substantial or clear enough. In order to meet current program needs, a new Board Resolution is needed which essentially replaces the 1954 Board Resolution No.1695 and Board Report No. 02-299. And, although it is imperative that Department region Superintendents be accountable in managing their MRP accounts and this has been the Department's common practice for many years, this was never formally approved by the Board.

MRP accounts will be retained for operational costs of Department functions, such as recreation, child care, senior programs, municipal sports, museums and camps that offer an ongoing cycle of activities and services. In the case of most MRPs, the public is registering and paying a fee. The center directors deposit participant fees into these revolving accounts to recover cost for program expenses. The director needs immediate access to the funds because program expense requirements may fluctuate. MRP accounts allow directors to rapidly respond to community needs and interests and to receive donations specific to center programming that can be monitored by the community and donors.

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Allowable direct expenses of MRP accounts are salaries used to conduct classes and facilitate sports leagues, awards, equipment, sports officials, snacks, supplies, transportation, uniforms, and other expenses that can be clearly tied directly to the delivery of a program. Allowable indirect expenses of MRP accounts are advertising, banners, signs, tournaments, office operations, publications, administration, professional development and other program related expenses.

All purchases from MRP accounts must comply with the City's procurement process and financial guidelines. Each facility will prepare an annual budget for its recreation program, which will be incorporated into an annual Department board report. This board report will be submitted each year, beginning next year for the upcoming Fiscal Year 2007-2008.

In November 2005, the Office of the Controller released a financial audit titled "Financial and Compliance Audit of the Department of Recreation and Parks" that describes the MRP Fund. One of the recommendations was to eliminate sub-accounts within our proprietary Action Information Management System (AIMS) that do not directly relate to recreation programs. Also, at the behest of the City Controller, we are reducing the total number of MRP accounts to be transferred into the City's Financial Management Information System (FMIS) to no more than 40. Forty accounts is a reasonable number for us to use in meeting our future plan and needs of the MRP Fund. The remaining MRP accounts will either be transferred into special or grants receivable accounts, deleted or consolidated. Our recommended changes are as follows:

- Move 65 existing MRP accounts that are used for facility rentals, maintenance, golf operations and parking operations to 19 new Special accounts. The "Special Account" exists under Fund 302/89 titled "Recreation and Parks Special Accounts." These accounts do not meet the new definition of recreation type programs that are to remain within MRP. Also, in the future these 19 new accounts will have an annual budget prepared and presented to the Board for approval. In March 2006 these account balances totaled approximately \$6 million.

Also, under Fund 302/89 eight (8) new accounts will be created for deposits of donations. Oftentimes, donations are provided for specific purposes and existing donation funding that is currently interspersed throughout the MRP Fund will be moved to Fund 302/89.

- Move 19 existing MRP accounts that are either fully or partially funded by various grant sources into 18 new Grant accounts. Fund 205/89 titled "Recreation and Parks Grant" are set up for grants receivable and the amount of the grant is appropriated into the account upon execution of the grant agreement rather than into an MRP account. In March 2006 these account balances totaled approximately \$500,000.

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- Consolidate 309 facility MRP accounts into 34 new regional/district MRP accounts. Fund 301/88 titled "Municipal Sports Accounts" also known as Municipal Recreation Programs will be retained for operational costs of Department functions. Types of recreation programs are child care, senior programs, recreation, municipal sports, museum programs and camps that offer an ongoing cycle of activities and services. Details will be maintained in the Department's Cost Accounting Tracking System (CATS) and still be available at the facility level for managers. In March 2006 these account balances totaled approximately \$9 million.
- Eliminate 90 existing MRP accounts. These accounts are no longer needed and /or their balances were transferred under Board Report No. 06-98 to help cover pool repair expenses for four pools and negative operating expenses for two pedal boat operations.
- Transfer four (4) existing MRP concession accounts to "Recreation Deposits," a liability account in Fund 302/89, Balance Sheet Account 2202. In this instance deposits made by Department Concessionaires as required by their concession agreement must be refunded to the appropriate parties once they have met all of their obligations. Therefore, we should record these concession accounts as such.

See Attachment 2 for more details on the abovementioned recommendations.

These changes will improve the Department's reporting system and more properly use the MRP accounting system for recreational program tracking. These same criteria will be used for future account additions.

This board report is the second of three reports that address the recommendations from the Controller's Financial Audit report. Board Report No. 06-98 dated April 18, 2006 was approved by the Board to use \$5.682 million towards the project shortfalls of four pools and two pedal boat operations. This report and its accompanying Board resolution update the purpose and procedures for the use of MRP and ensure that these accounts will henceforth be used only for recreational type programs. Fiscal control over the accounts is further defined by detailing the allowable expenses in these accounts. This report also requests approval from the Board and Mayor for the consolidation, transfer, and appropriation of funds, as of June 30, 2006, in 487 Department of Recreation and Parks' Municipal Recreation Program accounts. This report streamlines the Department's financial operations; improves staff accountability; and responds to the Controller's audit requiring a revised policy that specifies how the MRP funds are to be used for program related expenses.

A future board report will deal with the budgeting of MRP funds, standardization of program fees and equity issues.

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It should also be noted that we will continue to work with City officers such as the Mayor, Controller, City Attorney, City Administrative Officer, and Chief Legislative Analyst to assist us in implementing the various controller Audit recommendations. This will continue into Fiscal Year 2007-08.

FISCAL IMPACT STATEMENT:

Under Board Report No. 06-98, \$5 million was already transferred out of the Municipal Sports Account under Fund 301/88 to four newly created accounts under Fund 302/89 for four pool projects. Additionally this same Board report also applied \$682,000 within Fund 301/88 to cover negative operating balances for the Echo Park Boathouse and MacArthur Boat Rental accounts.

With the approval of the various proposals in this Board report, approximately \$9 million is projected to remain within the Municipal Sports Account under Fund 301/88 for recreation type programs. This Fund is still greatly needed and required for this Department to be able to conduct business and provide services to the City residents.

This report was prepared by Faith Mok, Chief Financial Officer, Finance and Administration Division.

**Department of Recreation and Parks
Municipal Recreation Program Categories**

1954	Current	Proposed MRP Programs
Adult Leagues	Adult Leagues (aka Municipal Sports)	Adult Leagues (aka Municipal Sports)
	Aquatics	Aquatics
	Camps	Camps
	Child Care Centers	Child Care Centers
	EPICC	EPICC Program
	Golf	Golf (Tournaments only)
	Museums	Museum Programs
	Park Rangers	Park Rangers
	Pershing Square Program	Pershing Square Youth Program
	Recreation Centers	Recreation Centers
	Senior Programs	Senior Programs
	Administrative Support: Department and Region Administrative, Public Relations	Department and Region Administrative
	CLASS Parks	
	Concessions	
	Facility Rentals	
	Facility Repair	
	Forestry	
	Grant Funded Programs	
	Maintenance	
	Parking	
	Real Estate	
	Pershing Square Garage	

**CITY OF LOS ANGELES
DEPARTMENT OF RECREATION AND PARKS
MUNICIPAL RECREATION PROGRAM (MRP) RESTRUCTURING**

19 New Special Accounts (65)
Fund 302 Dept 89 Recreation & Parks Spec Accts

EPICC Facility Rental
EPICC Operation
Golf Operation
Griffith Region Facility Rental
Griffith Region Maintenance
Metro Region Facility Rental
Metro Region Maintenance
Pacific Region Facility Rental
Pacific Region Maintenance
GSD Operated Parking
RAP Pershing Square Parking Operation
Pershing Square Operating Reserve Acct
Pershing Square Capital Improvement Acct
Valley Region Facility Rental
Valley Region Maintenance
West Region Facility Rental
West Region Maintenance
Real Estate & Asset Management
Department Administrative

8 Donation Accounts

Griffith Region
Metro Region
Pacific Region
Valley Region
West Region
Park Rangers
EPICC
Golf

Legend

SCC = Senior Citizen Center
CCC = Child Care Center
R/C = Recreation Center
OPV = Official Payment Voucher
MPC = Multi Purpose Center

18 New Grant Accounts (19)
Fund 205 Dept 89 Recreation & Parks Grant

Wilkinson MPC
Felicia Mahood MPC
Jim Gilliam CCC
Senior Nutrition
CDBG Grants
Prop A Hansen Dam
Loren Miller CCC
Evergreen CCC
Eagle Rock CCC
Echo Park CCC
Baldwin Hills CCC
South Park CCC
Hubert Humphrey CCC
Child Care Grants
Childcare Grants II
Jim Gilliam Infant/Toddler
Juvenile Justice Criminal Prevention
Donation for Off Track Program

34 New Consolidated MRP Accounts (309)
Fund 301 Dept 88 Municipal Sports Account

Department Administrative
CLASS Parks - OPV only
Girl's Sports Subsidy Program -OPV only
Licensing
Observatory Program
Public Relations
Training & Conference

Griffith Region Administrative

Camps
Pershing Square Program
Municipal Sports

Metro Region Administrative

East District R/C
Central District R/C
Griffith District R/C
North District R/C

Pacific Region Administrative

Harbor District R/C
South District R/C
Southwest District R/C
Seniors Programs
Museum Programs

Valley Region Administrative

West Valley District R/C
Mid Valley District R/C
South Valley District R/C
North Valley District R/C

West Region Administrative

Shoreline District R/C
West District R/C
Aquatics Division

EPICC Program

Golf Tournament

Park Rangers

Recreation Deposits (4)
Fund 302 Dept 89 Balance Sheet Account 2202

Concessionaire Deposits
Concessionaire Performance Bonds
Concession Expenses
Refundable Deposit

Delete MRP Accounts (90)
Fund 301 Dept 88 Municipal Sports Account

Fund 302 Dept 88
Recreation & Parks Fund

Girl's Sports Subsidy Program
CLASS Parks

RESOLUTION NO. _____

WHEREAS, in September 1954, the Board of Recreation and Park Commissioners adopted a resolution (Resolution No. 1695) that established a special revenue fund called the Municipal Sports Account (MSA) to hold funds on behalf of voluntary and adult athletic organizations to aid adult participation in municipal sports programs at recreation centers and parks; and,

WHEREAS, these programs had become so popular that a standard procedure was needed to handle the organization of the sports leagues, and, in general, the resolution required receipts and disbursements to be separately tracked for each organization; and,

WHEREAS, two significant changes in the MSA occurred over the years: (1) as additional programs developed, recreation directors began to take control of the accounts rather than hold funds for voluntary organizations and as a result, the Department began to dramatically increase the number of services and programs being offered to the community AND (2) in addition to the adult and youth sports leagues, the Department added childcare programs, camping and aquatic programs, senior programs, after-school clubs, and fine art and cultural classes that covered a wide variety of subjects such as art, dance, drama, music, homework assistance, computer labs, and sports instruction; and,

WHEREAS, the old MSA eventually became known as MRP (Municipal Recreation Program) and as the accounts in the MRP Fund began to develop, so did the Department's operational complexity, size and mission, and over time, MRP became the financial mechanism for Department operations to collect fees for cost recovery of programs, as well as to develop and fund new program areas and as the establishment of MRP accounts grew and became more common in Department operations, the use of MRP accounts eventually expanded beyond Board Resolution No. 1695's original intent in order to serve the increased community needs and demands; and,

WHEREAS, accounts were allowed to develop in operational areas that did not require a revolving fund but rather used funds for operations and capital improvements, the Department amassed 487 MRP accounts; and,

WHEREAS, in order to meet current program needs, it is imperative that Department region superintendents be accountable in managing their MRP accounts as they deposit participant fees into a revolving account for cost recovery and need immediate access to the funds due to the fluctuation of program expense requirements, allowing them to rapidly respond to community needs and interests and to receive donations specific to center programming that can be monitored by the community and donors; and,

WHEREAS, each facility will prepare an annual budget for their recreation programs which will be incorporated into an annual Department board report to be submitted each year, beginning in Fiscal Year 2007-08; and,

WHEREAS, the November 2005 "Financial and Compliance Audit of the Department of Recreation and Parks" released by the Office of the Controller recommends the elimination of sub-accounts within the Department's proprietary Action Information Management System (AIMS) that do not directly relate to recreation programs; and,

WHEREAS, at the behest of the City Controller, the Department is reducing the total number of MRP accounts to be transferred into the City's Financial Management Information System (FMIS) to no more than 40;

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Resolution No. _____

NOW, THEREFORE, BE IT RESOLVED, that the Board, subject to the approval of the Mayor, authorize the redefining of the Municipal Sports Account (commonly called MRP) under Fund 301, Department 88 for adult leagues, aquatics, camps, child care centers, golf tournaments, park rangers, recreation centers and programs for seniors, museums, Pershing Square Youth and Exposition Park Intergenerational Community Center and either retain or create appropriate accounts for these areas.

BE IT FURTHER RESOLVED, that the Board authorizes the remaining MRP accounts to either be transferred into special or grants receivable accounts, deleted or consolidated as follows:

- Move 65 existing MRP accounts that are used for facility rentals, maintenance, golf operations and parking operations to 19 new Special accounts. The "Special Account" exists under Fund 302/89 titled "Recreation and Parks Special Accounts." These accounts do not meet the new definition of recreation type programs that are to remain within MRP. Also, in the future these 19 new accounts will have an annual budget prepared and presented to the Board for approval. In March 2006 these account balances totaled approximately \$6 million.

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BE IT FURTHER RESOLVED, that the Board authorizes the General Manager or his designee to make technical corrections as necessary to those transactions included in this report.

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Resolution No. _____

I HEREBY CERTIFY, that the foregoing is a full, true and correct copy of a Resolution adopted by the Board of Recreation and Park Commissioners of the City of Los Angeles at its meeting held on June 7, 2006 (Board Report No. 06- _____).

Mary E. Alvarez, Board Secretary

Resolution No. _____