Council Meeting of
May 15, 2012

SUPPLEMENTARY MATERIAL

Honorable Mayor and Members
of the City Council
City Hall
Torrance, California

Members of the City Council:

SUBJECT: Supplementary Material to Item 13A

Staff have provided clarification on the Community Services Department Enterprise Fund Cost Recovery/Subsidy Plan as well as answers to specific questions regarding this plan (Attachment A).

The attached spreadsheet Net Cost Review is a slightly different version of the copies in the packet on pages 53 and 54 of Council Item 13A (Attachment B).

Explanation of the difference between Direct and Indirect Costs has been added to both the Recreation Services Division and Cultural Services Division sheets in boxes at the bottom. In addition, there have been some format changes that make the sheet easier to read.

The Total Subsidy listed in Column h is the subsidy values that have been implemented over the past year while the Subsidy Target in Column i is a future target.

Respectfully submitted,

John Jones
Community Services Director

CONCUR:

LeRoy J. Jackson
City Manager

Attachments:

A. Memo on Clarification on the Community Services Department Enterprise Fund Cost Recovery/Subsidy Plan
B. Net Cost Review, Pages 53 and 54 of Item 13A

JJ:epv\city council items\2012\supplemental information to item 13A\05-15-12

SUPPLEMENTAL MATERIAL **13A**

ATTACHMENT A

CITY OF TORRANCE

INTEROFFICE COMMUNICATION

DATE: May 15, 2012

TO: Eric Tsao, Finance Director

FROM: John Jones, Community Services Director

SUBJECT: CLARIFICATION ON THE COMMUNITY SERVICES DEPARTMENT ENTERPRISE FUND COST RECOVERY/SUBSIDY PLAN

At the May 8, 2012 Budget Hearing, the City Council asked staff for additional program information in order to clarify questions on the Cost Recovery/Subsidy Plan for the Enterprise Fund.

As a recap, the purpose of this plan was to review the Enterprise Fund reduction goal of $400,000, provide an overview of recommended deletions, reductions and fee increases, and demonstrate how these changes fit within the Departments vision and connect to the new philosophy provided by the Parks and Recreation and Cultural Arts Commissions. This Cost Recovery/Subsidy Plan takes into consideration the fully burdened costs of the direct and indirect costs for each of the programs within the Enterprise Fund. This plan has also been vetted with the Parks and Recreation and Cultural Arts Commissions earlier this year.

Q. Why was the amount of $447,889 provided in deletions, reductions, and fee increases, instead of the targeted amount of $400,000?

A. In the analysis of all the programs and classes for deletion, reduction and fee increases, staff deleted many of the free community events to reach the targeted amount of $400,000 to maintain the current subsidy level and to balance the budget. To be consistent with the deletions in the plan, staff provided additional deletions in the amount of $47,889. These deletions have all been included in this plan and are only being provided to the City Council if they wanted to re-fund these deletions. The list of programs that are deleted and would be considered for re-funding are listed in Attachment D-5 page 56.

Q. Please provide an explanation of the Recreation Division Indirect Costs of $2,328,126; and the Cultural Division Indirect Costs of $596,931.

A. The Recreation and Cultural Divisions Indirect Costs are made up of all full time staff salaries/benefits; city interdepartmental charges (phone, central services, cable, custodial, communications, electrical maintenance, building maintenance, air conditioning, data and internet); Utilities as appropriate,

Training and Education; Memberships; Certain Equipment and Furniture; and replacement fund for computers and phones. The breakout is as follows:

Recreation Division	
Salaries and Benefits	$1,484,797
Materials and Supplies	15,404
Professional/Contract Services	8,600
Training, Travel, and Membership	5,900
Liabilities	18,421
Inter-Departmental Charges	754,409
Operating Transfers Out	40,595
Recreation Indirect Overhead	**$2,328,126**

Cultural Services	
Salaries and Benefits	$578,100
Material and Supplies	9,431
Professional/Contract Services	3,600
Training, Travel, and Membership	5,800
Cultural Indirect Overhead	**$596,931**

Q. In referring to Attachment D-5 on page 55, where can the $447,889 of deletions, reductions, and fee increases be found in the Cost Recovery/Subsidy Plan? Is the prioritized listing of programs to save included in the total reduction value of $447,889?

A. A complete listing of the proposed deletions, reductions, and fee increases can be found in the budget item in Attachment A from pages 69 - 72. Yes, all of the listed programs have been included in the total reduction value of $447,889.

Q. Is there a chart that shows the proposed subsidy percentages for each of the programs within the Enterprise Fund?

A. Yes, the Cost Recovery & Subsidy Guidelines can be found in the budget item in Attachment C page 75. This is the revised subsidy policy moving away from the 60% Youth and 40% Seniors that was approved in the early 1990's. These categories better reflect needs of the community as well as the overall philosophy of the Parks and Recreation and Cultural Arts Commissions and vision of the Community Services Department.

The large spreadsheet provided basically reflects the future goal or targets for each of the programs based on this Cost Recovery/Subsidy Plan. The chart illustrates the differences between the "current" level of subsidy and the "subsidy" goal based on the revised subsidy policy. How the enterprise fund achieves the "subsidy" goal is in the planning process and will be brought forward at a later date.

John Jones
Community Services Director

FY 2012-2013
Recreation Services Division
Net Cost Review

ATTACHMENT B

All Rec Div Programs, Classes, and Activities	Direct Costs	Rec Div Indirect Costs	Direct Costs + Div Overhead	% Recovery	Department Admin Overhead	City Indirect	Total City Cost	*Revenue*	% of Revenue to Total City Cost	Total Costs minus Revenues	Total Subsidy* Current %	Total Subsidy* Current	Subsidy* Target	Proposed Subsidy* based on Subsidy Plan	Subsidy Gap Value	All Rec Div Programs, Classes, and Activities
	See Below for Explanation of Costs		a+b				c+d+e		(f-g)/f		(o-g)/c	c-g	see note below	c x i	h-j	
	a	b	c		d	e	f	g		f-g		h	i	j	k	
Seniors - Facilities	$ 92,587	$ 59,066	$ 151,653	0%	$ 5,824	$ 10,070	$ 167,547	$ -	100%	$ 167,547	100%	$ 151,653	100%	$ 151,653	$ -	Seniors - Facilities
Madrona Marsh Nature Center	$ 280,304	$ 178,822	$ 459,126	0%	$ 17,631	$ 30,487	$ 507,243	$ -	100%	$ 507,243	100%	$ 459,126	100%	$ 459,126	$ -	Madrona Marsh Nature Center
Summer Drop-In Park Programs	$ 88,770	$ 56,631	$ 145,401	0%	$ 5,584	$ 9,655	$ 160,640	$ -	100%	$ 160,640	100%	$ 145,401	100%	$ 145,401	$ -	Summer Drop-In Park Programs
Madrona Marsh Preserve	$ 142,233	$ 90,738	$ 232,971	0%	$ 8,946	$ 15,470	$ 257,387	$ -	100%	$ 257,387	100%	$ 232,971	100%	$ 232,971	$ -	Madrona Marsh Preserve
Teen Activities--The ATTiC	$ 149,312	$ 95,255	$ 244,567	40%	$ 9,392	$ 16,240	$ 270,198	$ 16,545	94%	$ 253,653	93%	$ 228,022	60%	$ 146,740	$ 81,282	Teen Activities--The ATTiC
Special Needs	$ 50,911	$ 32,479	$ 83,390	40%	$ 3,202	$ 5,537	$ 92,129	$ 24,694	73%	$ 67,435	70%	$ 58,696	60%	$ 50,034	$ 8,662	Special Needs
Seniors - Program	$ 86,347	$ 55,086	$ 141,433	40%	$ 5,431	$ 9,391	$ 156,255	$ 30,213	81%	$ 126,042	79%	$ 111,220	60%	$ 84,860	$ 26,360	Seniors - Program
Youth Sports	$ 237,981	$ 151,822	$ 389,803	40%	$ 14,969	$ 25,883	$ 430,655	$ 197,092	54%	$ 233,563	49%	$ 192,711	60%	$ 233,882	$ (41,171)	Youth Sports
D.H Sports Center	$ 162,222	$ 103,491	$ 265,713	40%	$ 10,204	$ 17,644	$ 293,560	$ 49,348	83%	$ 244,212	81%	$ 216,365	60%	$ 159,428	$ 56,937	D.H Sports Center
Teen Activities--Co Rec	$ 50,901	$ 32,473	$ 83,374	60%	$ 3,202	$ 5,536	$ 92,111	$ 60,000	35%	$ 32,111	28%	$ 23,374	40%	$ 33,349	$ (9,976)	Teen Activities--Co Rec
Special Events (Multiple)	$ 90,080	$ 57,467	$ 147,547	60%	$ 5,666	$ 9,797	$ 163,010	$ 34,809	79%	$ 128,201	76%	$ 112,738	40%	$ 59,019	$ 53,719	Special Events (Multiple)
Aquatics	$ 592,955	$ 378,280	$ 971,235	60%	$ 37,296	$ 64,491	$ 1,073,022	$ 443,472	59%	$ 629,550	54%	$ 527,763	40%	$ 388,494	$ 139,269	Aquatics
Contract Classes--Youth	$ 102,708	$ 65,523	$ 168,231	60%	$ 6,460	$ 11,171	$ 185,862	$ 200,847	-8%	$ (14,985)	-19%	$ (32,616)	40%	$ 67,293	$ (99,908)	Contract Classes--Youth
After School Club	$ 385,919	$ 246,200	$ 632,119	80%	$ 24,274	$ 41,974	$ 698,366	$ 528,960	24%	$ 169,406	16%	$ 103,159	20%	$ 126,424	$ (23,265)	After School Club
Adult Sports	$ 306,055	$ 195,250	$ 501,305	80%	$ 19,250	$ 33,287	$ 553,843	$ 328,472	41%	$ 225,371	34%	$ 172,833	20%	$ 100,261	$ 72,572	Adult Sports
Roller Hockey-Youth, Adult, & Rink	$ 152,192	$ 97,092	$ 249,284	80%	$ 9,573	$ 16,553	$ 275,409	$ 120,000	56%	$ 155,409	52%	$ 129,284	20%	$ 49,857	$ 79,427	Roller Hockey-Youth, Adult, & Rink
Seniors - Excursions	$ 86,367	$ 55,098	$ 141,465	80%	$ 5,432	$ 9,394	$ 156,291	$ 100,000	36%	$ 56,291	29%	$ 41,465	20%	$ 28,293	$ 13,172	Seniors - Excursions
Day Camps	$ 253,807	$ 161,918	$ 415,725	80%	$ 15,964	$ 27,605	$ 459,294	$ 315,000	31%	$ 144,294	24%	$ 100,725	20%	$ 83,145	$ 17,580	Day Camps
Contract Classes--Adult	$ 43,796	$ 27,940	$ 71,736	90%	$ 2,755	$ 4,763	$ 79,254	$ 105,241	-33%	$ (25,987)	-47%	$ (33,505)	10%	$ 7,174	$ (40,679)	Contract Classes--Adult
Farmers Market	$ 205,392	$ 131,031	$ 336,423	100%	$ 12,919	$ 22,339	$ 371,681	$ 483,774	-30%	$ (112,093)	-44%	$ (147,351)	0%	$ -	$ (147,351)	Farmers Market
Special Events--Turkey Trot addtl rev	$ -	$ -	$ -	100%	$ -	$ -	$ -	$ 99,604	0%	$ (99,604)	0%	$ (99,604)	0%	$ -	$ (99,604)	Special Events--Turkey Trot addtl rev
Community Gardens	$ 6,488	$ 4,139	$ 10,627	100%	$ 408	$ 706	$ 11,741	$ 12,000	-2%	$ (259)	-13%	$ (1,373)	0%	$ -	$ (1,373)	Community Gardens
Las Canchas Tennis Center	$ 10,289	$ 6,564	$ 16,853	100%	$ 647	$ 1,119	$ 18,619	$ 25,000	-34%	$ (6,381)	-48%	$ (8,147)	0%	$ -	$ (8,147)	Las Canchas Tennis Center
Sea Aire Golf Course	$ 68,732	$ 43,848	$ 112,580	100%	$ 4,323	$ 7,475	$ 124,379	$ 140,000	-13%	$ (15,621)	-24%	$ (27,420)	0%	$ -	$ (27,420)	Sea Aire Golf Course
Batting Cages	$ 3,000	$ 1,914	$ 4,914	100%	$ 189	$ 326	$ 5,429	$ 25,000	-361%	$ (19,571)	-409%	$ (20,086)	0%	$ -	$ (20,086)	Batting Cages
Skate Park	$ -	$ -	$ -	100%	$ -	$ -	$ -	$ -	0%	$ -	0%	$ -	0%	$ -	$ -	Skate Park
Beverage Agreement	$ -	$ -	$ -	100%	$ -	$ -	$ -	$ 30,000	0%	$ (30,000)	0%	$ (30,000)	0%	$ -	$ (30,000)	Beverage Agreement
TOTAL	**$ 3,649,348**	**$ 2,328,126**	**$ 5,977,474**		**$ 229,539**	**$ 396,913**	**$ 6,603,926**	***$ 3,370,071***				**$ 2,607,403**		**$ 2,607,403**	**$ 0**	**TOTAL**

Recreation Division Operations Cost	$	3,649,348
Recreation Division Admin Cost	$	2,328,126
Division Total	$	5,977,474

2011-2012

Department Admin in column d is 20% of Admin Div Cost	$	229,539
Note: City Indirect in column e is 19.39% of Division FT Salaries	$	396,913
	$	626,452

Recreation Budget
less Revenue
Difference

Difference
less Subsidy
Balance

***Note:**
Subsidy Target in column i was developed to recover Direct Costs and Divisional Overhead only.
Does not include Department Overhead or City Indirect Costs

The Subsidy Plan takes into consideration the fully burdened costs of the Direct and Indirect Costs for each Program within the Enterprise Program.

Direct Costs are defined as all costs directly related to the program that would not be needed and/or spent if the program was not offered. Direct Costs can be identified specifically with a final cost objective, and will be charged directly to that objective. Direct costs do not require any further allocation or breakdown by funding source or cost category.

Costs may include but are not limited to:
- Part Time Staff specific to the program or class
- Materials and Supplies
- Contract funding specific to the event or class.

Indirect Divisional Costs are defined as costs that are incurred for a common or joint purpose benefiting more than one cost objective. Indirect costs are not readily assignable to the cost objectives specifically benefited without effort disproportionate to the results achieved. Measuring benefit is the critical requirement and central task to be performed in allocating indirect costs. Certain indirect costs benefit several programs or cost objectives (while being for a specific service or function) are outlined below. These costs may include, but not be limited to:

Full Time Staff salaries/benefits
Utilities
Training/Education
Subscriptions/Memberships
Certain equipment
Certain furniture
City Interdepartmental Charges.

FY 2012-2013
Cultural Services Division
Net Cost Review

All Cultural Div Programs, Classes, and Activities	P & L's Direct Costs	Cultural Div Indirect Costs	Direct Costs + Div Indirect Costs	% Recovery	Department Admin	City Indirect	Total City Cost	*Revenue P & L's*	% of Revenue to Total City Cost	Total Costs minus Revenues	Total Subsidy* Current %	Total Subsidy* Current	Subsidy* Target	Proposed Subsidy* based on Subsidy Plan	Subsidy Gap Value	All Cultural Div Programs, Classes, and Activities
			a+b				c+d+e		(f-g)/f		(c-g)/c	c-g	see note below	c x i	f-j	
	a	b	c		d	e	f	g		f-g		h	i	j	k	
Torrance Art Museum	$ 128,884	$ 56,334	$ 185,218	0%	$ 10,831	$ 10,851	$ 206,901	$ -	100%	$ 206,901	100%	**$ 185,218**	**100%**	$ 185,218	**$ -**	Torrance Art Museum
Civic Chorale	$ 40,800	$ 17,833	$ 58,633	60%	$ 3,429	$ 3,435	$ 65,497	*$ 30,000*	54%	$ 35,497	49%	**$ 28,633**	**40%**	$ 23,453	**$ 5,180**	Civic Chorale
Staff Taught Classes-Youth	$ 260,049	$ 113,666	$ 373,715	60%	$ 21,854	$ 21,895	$ 417,463	*$ 312,442*	25%	$ 105,021	16%	**$ 61,273**	**40%**	$ 149,486	**$ (88,213)**	Staff Taught Classes-Youth
Contract Classes-Youth	$ 312,942	$ 136,785	$ 449,727	60%	$ 26,299	$ 26,348	$ 502,374	*$ 336,995*	33%	$ 165,379	25%	**$ 112,732**	**40%**	$ 179,891	**$ (67,159)**	Contract Classes-Youth
Early Childhood Dev	$ 127,335	$ 55,657	$ 182,992	80%	$ 10,701	$ 10,721	$ 204,414	*$ 139,000*	32%	$ 65,414	24%	**$ 43,992**	**20%**	$ 36,598	**$ 7,394**	Early Childhood Dev
Theater Company	$ 108,680	$ 47,503	$ 156,183	80%	$ 9,133	$ 9,150	$ 174,467	*$ 50,000*	71%	$ 124,467	68%	**$ 106,183**	**20%**	$ 31,237	**$ 74,947**	Theater Company
Contract Classes-Adult	$ 208,628	$ 91,190	$ 299,818	90%	$ 17,533	$ 17,565	$ 334,916	*$ 221,636*	34%	$ 113,280	26%	**$ 78,182**	**10%**	$ 29,982	**$ 48,200**	Contract Classes-Adult
Staff Taught Classes-Adult	$ 173,366	$ 75,777	$ 249,143	90%	$ 14,569	$ 14,596	$ 278,309	*$ 204,578*	26%	$ 73,731	18%	**$ 44,565**	**10%**	$ 24,914	**$ 19,651**	Staff Taught Classes-Adult
Excursions	$ 5,000	$ 2,185	$ 7,185	100%	$ 420	$ 421	$ 8,027	*$ 7,185*	10%	$ 842	0%	**$ 0**	**0%**	$ -	**$ 0**	Excursions
TOTAL	**$ 1,365,684**	**$ 596,931**	**$ 1,962,615**		**$ 114,770**	**$ 114,983**	**$ 2,192,367**	***$ 1,301,836***		$ 890,531		**$ 660,779**		**$ 660,779**	**$ (0)**	**TOTAL**

Cultural Services Division Operations Cost	$	1,365,684
Cultural Services Division Admin Cost	$	596,931
Division Total	$	1,962,615
Department Admin is in column d is 10% of Admin Div Cost	$	114,770
Note: City Indirect in column e is 19.39% of Division FT Salaries	$	114,983
	$	229,752

2011-2012
Recreation Budget
less Revenue
Difference

Difference
less Subsidy
Balance

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