

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE: Funding Request from YMCA
DEPARTMENT: Finance
PRESENTED BY: Debbie Tarry, Finance Director

PROBLEM/ISSUE STATEMENT:

The Shoreline/South County Family YMCA is building a new facility at the south end of Echo Lake. In March 2007 the YMCA provided a presentation to the City Council on the status of the development of their new facility in Shoreline. At that time they requested that the Council consider waiving their permitting fees (estimated at \$60,000) and consider entering into a service agreement for \$1 million payable over 20 years.

BACKGROUND

As Council is aware, the City's long-term financial projections indicated anticipated budget gaps starting in 2008. In order to address the short-term budget gaps (2008-2009) the City Council recently authorized an increase in the cable utility tax and authorized the City Manager to notify Seattle City Light to implement a utility contract payment on the distribution portion of electric revenues starting in April 2008. These actions should cover the anticipated gaps for 2008 and 2009, but future gaps are anticipated in 2010. Staff will be working with the Council to implement a strategy to involve community input for examining the City's long-term financial position and identify community priorities and long-term financial operations.

Given the City's long-term financial challenges, staff has recommended that the City not commit to additional on-going expenditure obligations until such time as on-going resources are identified to support the on-going costs.

There are legal obligations that must be met with the distribution of any City funds. The State Constitution prohibits the gift of public funds to private entities, including non-profit organizations. Although the City is allowed to contract with private organizations for services and programs that accomplish a municipal purpose, we typically fund those services that we are not currently providing or are not able to provide ourselves, such as museum, art, and senior services. Thus, if there is a program or service that the YMCA will offer in its new facility which is outside the scope of our current City of Shoreline recreation programs, it would be legally possible to contract. It would be a matter of determining what the appropriate service would be, whether the service should be contracted, and how that service compares in priority to other services.

The City already contracts with the YMCA for two programs: youth diversity program and the after school Hang-Time program that is held at Kellogg Middle School. The City pays the YMCA \$13,000 annually for these programs and in addition provides an

additional \$19,000 in in-kind services, for a total of \$32,000 annually. In-kind services include staffing, supplies, and some contractual services.

In addition to these services the YMCA has been allowed to rent park facilities for their summer programs at the resident youth rate (\$3/hr) even though the YMCA charges a fee for participant participation. The primary site is Shoreview Park. In 2007 the City anticipates receiving \$3,735 in rental revenue related to City facilities. This includes 650 hours of baseball field usage at Hamlin Park, Ridgecrest and Shoreview (\$1,950), 455 hours of soccer field usage at Paramount School Park, Shoreview Park, and Field B at Shoreline Park (\$1,785), and 173 hours of tennis court usage at Shoreview Park at no charge. The value of the existing contracts, in-kind services, and below cost field rental may well meet or exceed the \$50,000 per year that the YMCA is requesting.

The YMCA has referenced the participation by other cities in either their capital campaigns or in establishing long-term service agreements when a new YMCA has opened. Staff has contacted the following cities and received information about their contracts with the YMCA:

- **Auburn:** Auburn purchased the old YMCA building (\$488,800) to use as a recreation building. Auburn also signed long-term (20 year) service agreements for the following:
 - *Athletic Field Usage:* The YMCA was building two new baseball fields on land that had been donated to the YMCA. Auburn agreed to pay the YMCA \$720,000 for the right to have 50% usage of those fields over 20 years.
 - *Monthly Teen Nights:* The City paid the YMCA \$252,000 in agreement that the YMCA would provide one three hour Teen Night per month for twenty years. The Teen Night has to be open to all City of Auburn residents and no membership fee is to be required from the participants.
 - *Low-Income Family Memberships:* The City paid the YMCA \$756,000 for the YMCA to provide sixty (60) family memberships for use by qualified low-income families in Auburn for 20 years.
 - *Aquatic Facility Usage:* Auburn paid the YMCA \$421,200 to be able to use the YMCA pool for five (5) hours per week for special needs groups and City recreation programs for 20 years. The City of Auburn did not have a municipal pool.
- **Gig Harbor:** The City of Gig Harbor paid the YMCA \$250,000 in exchange for the YMCA to allow general public access to the YMCA pool one or two times a year for 20 years. The City of Gig Harbor does not have a recreation program or municipal pool. Recreation services are provided through a Parks and Recreation Park District.
- **Sea-Tac:** Sea-Tac is doing a long-term land lease with the YMCA. This is property in which the City had originally planned to build a City Hall. Currently the YMCA is paying the City of Sea-Tac approximately \$30,000 per year to lease the land. It is a 50 year lease. The City has agreed to pay the YMCA \$1.1 million in 2009 (the year that the new YMCA is supposed to open) to provide similar programming to that in the Auburn agreement. The details of the agreement have not been finalized. Sea-Tac does not have a municipal pool.

- **Monroe:** Monroe has agreed to pay the YMCA \$1.976 million in quarterly installments to provide the following services for 15 years:
 - o *Friday Family Night:* 3 hours per week, every Friday night
 - o *Family Swim:* 3 hours per week, every Sunday from 2 p.m. – 5 p.m.
 - o *Senior Fitness/Health:* 2 hours per week
 - o *Teen Night:* 4 hours per month, the first Saturday of every month
 - o *Water Aerobics:* 2 hours per weekMonroe does not have a municipal pool.

In all cases the exchange of monies between the YMCA and the cities were for a service. As Council is aware, the City currently provides many of these same services in existing City facilities. The City also currently allocates \$32,000 for scholarship programs for low-income individuals so that these individuals can participate in the City's recreation programming. If the desire is to expand recreational program offerings an on-going revenue stream would need to be identified, and staff would need to evaluate the priority needs for program expansion and the best method to deliver the service.

The YMCA has also requested that the City consider waiving permitting fees. The permit fees due to the City are estimated at \$60,000. RCW 43.09.210 requires separate accounting by division or department, for example the City cannot waive the fees on its own projects. The waiver proposal would require our development services division to subsidize the parks and recreation benefits received by agreement for YMCA services. The lost fee revenue must be considered along with other general fund revenue paid in negotiating an equivalent value from the YMCA.

ALTERNATIVES

Although it is staff's recommendation not to enter into a long term service agreement with the YMCA at this time, if the Council desires to enter into a service agreement, then staff would recommend it to be a service that uses one-time dollars and does not create an on-going financial obligation for the City.

The one-time monies would need to come from the City's general fund, as other revenue sources within the City's capital improvement program are legally restricted to specific types of projects. As recently discussed by the Council as part of the operating reserve policy, the City currently has approximately \$952,000 of one-time dollars. Traditionally the Council has allocated one-time monies to the City's capital program. We are currently preparing the 2008-2013 CIP and we are projecting gaps in future funding needed to maintain basic capital functions such as our overlay and sidewalk programs. As a result, we do not recommend any major allocation of these one time funds for new projects until Council has an opportunity to examine all of the competing priorities in the CIP review this summer.

Even though these dollars are available, there are many competing needs and desires of Council. These include City Hall, human services, housing strategy, sustainability, youth programming, a new Public Works/Parks maintenance facility, and public safety. These are all important to the City, just as providing accessible recreational programming to enhance the quality of life in the Shoreline community. Given these

competing needs staff cannot recommend that Council agree to a \$1 million service contract with the YMCA. Although this is the case, Council may want to consider directing staff to negotiate a service agreement for one- time services with the YMCA in a modest amount, perhaps \$50,000 to \$60,000. Staff could identify the highest priority need that the YMCA could fulfill in deliverable services and bring back a contract for the services. As the YMCA will not be open until 2008, the City could not legally make payment until such time as the services could be provided allowing the City to incorporate this agreement into the City's 2008 budget process.

SUMMARY

As the City engages the community in the long-term financial strategy planning process, one aspect will be hearing from the community their desire for changes in service levels provided by the City. This will provide the Council information on any increases to services that may be desired in future years and possible funding sources to provide those services. This will include recreational programming. Since this process is planned to occur over the next two years, and the City still has projected long-term budget gaps (2010 and beyond), staff cannot recommend entering into long-term service contracts with the YMCA that would create on-going obligations for the City.

The services that the YMCA provides to our community are valuable and the City will continue to look for ways to partner with the YMCA to best serve our community in the areas of recreation and social services. The City already partners with the YMCA to provide the Hang-Time and Youth Diversity program at a cost of \$39,000 per year. In addition the City has partnered with the YMCA in providing recreational sites for their summer programming at a minimal cost.

RECOMMENDATION

Staff recommends that the Council direct staff to negotiate a one-time service contract with the YMCA for services not to exceed \$60,000 that the City will pay the YMCA.

Approved By: City Manager  City Attorney ____