

**Issue: Allocation of Revenue from Sale of Non-Conforming Open Space**

**How should revenue from the sale of non-conforming open spaces be allocated?**

**Background:**

On February 25, 2003, the City Council by Resolution No. 2003-95 accepted the Parks, Recreation and Neighborhoods Department's first Fund Development Report. The concepts presented were the Department's first formal attempt to recognize the need for the department to be proactive in securing future funding for parks, programs, and facilities.

On May 24, 2004, the City Council by Resolution No. 2004-285 directed staff to develop a plan to sell or lease non-conforming City-owned open space. In November 2004, staff approved the agreement between the Stanislaus Community Foundation and the City to act as our fiscal agent for monies received for the City's parks, programs and facilities.

At the Council Meeting of May 10, 2005, by resolution, the Council declared the city owned property known as 17<sup>th</sup> and G Streets Park as surplus property and authorized staff to proceed with an appraisal and contract for real estate services for the sale of this property. On May 24 2005, the Council adopted a resolution authorizing a portion of the city owned property, formally known as the John Muir School, to be declared surplus and authorized staff to proceed with a parcel split, appraisal and contract for real estate services for the sale of the property. As additional sites are identified, the City Council will be asked to declare them as surplus, and to authorize staff to proceed with the steps necessary and appropriate for sale.

Staff is working on the sale of the two above-mentioned city-owned open spaces. Funds will be acquired from the sale of these properties. To refine this section of the Fund development program, staff is proposing to evaluate the best way to allocate the revenue from the sale of these and possibly other properties. Working with the Stanislaus Community Foundation, staff is proposing a long-term allocation to maintain and operate our existing parks and facilities.

After several years of fiscal reductions in the Parks Infrastructure Replacement Account (Parks Fund 1400) there is limited funding available and much need to rebuild, replace and generally maintain the parks and facilities owned by the City.

**Recommendation:**

Staff proposes the proceeds from the sale of the non-conforming open spaces be allocated in this manner:

- \$50,000 will be used for fund development activities such as collateral material needed for capital campaign promotional items.
- Seventy-five percent (75%) of the balance received from each sale to be placed in the Parks Infrastructure Replacement Account (Fund 1400), in order to have funds set aside to rebuild and replace infrastructure that is no longer sturdy or structurally sound.
- The remaining 25% of the balance received will go to the Stanislaus Community Foundation to be placed into the City of Modesto's designated Parks Fund for the City's programs, facilities and open spaces, subject to the ability of the Finance Director to arrange suitable investments and oversight of this deposit. The funds will continue to earn interest through the Foundation until they are needed.

**Reasons for Recommendation:**

In the Fund Development Program Report that Council approved on May 7, 2004, one of the seven components of the program was to direct staff to develop a plan to sell or lease non-conforming open space. The action would provide a benefit to the City by: " 1) eliminating park sites that are problems to maintain and police; 2) reducing maintenance costs; 3) providing revenue to PR&N...". The current staff recommendation brings into focus a specific direction and approach in which to place the revenues received by these parcel sales in order to benefit the City's parks, recreation programs and its neighborhoods.

**Policy Alternatives:**

1. Funds could be allocated in another manner.
2. Funding could be placed solely in the Parks Infrastructure Replacement Account or conversely, solely in the Stanislaus Community Foundation account.

**Fiscal Impacts:**

There is no foreseen expenditure with this recommendation. If staff's recommendation is approved, the first \$300,000 in revenue from each sale would be placed in Fund 1400 for infrastructure repair and replacement, an additional \$25,000 to \$50,000 would be recognized in the Parks, Recreation and Neighborhoods Department's General Fund Operating accounts for fund development, and the balance would be deposited with the Stanislaus Community Foundation into an interest bearing account until such time as it is needed.

**Finance Committee Action:**

Concur with staff recommendation regarding formula for allocating revenues from the sale of non-conforming open spaces.