



# CITY COUNCIL STUDY SESSION REPORT

---

**MEETING DATE:** March 8, 2004 Study Session

**ITEM NUMBER:**

**SUBJECT:** Community Objective 03-E2 Senior Center

**DATE:** March 3 2004

**FROM:** Steven Hayman, Director, Administrative Services Department

**PRESENTATION BY:** Jana M. Ransom, Recreation Division Manager, Administrative Services Department

**FOR FURTHER INFORMATION CONTACT:** Jana Ransom, 754-5300

---

## **RECOMMENDATION:**

The City Council is requested to provide staff with direction regarding the City's long-term strategy with respect to the operation of the Costa Mesa Senior Center (Community Objective 03-E2) and with respect to execution of the second of two one-year options for renewal of the current agreement.

## **BACKGROUND:**

The Recreation Division was given lead responsibility in researching the issue of the City of Costa Mesa taking over Senior Center and Senior Program operations from the Costa Mesa Senior Corporation (CMSC). This Community Objective (03-E2) came about when the CMSC requested additional City financial support for operations in the face of dwindling liquid assets.

In 1991, the City entered into a five-year agreement with the CMSC. The original intent of that agreement was to "wean" the Senior Center from the City's support over the course of the agreement, to a point where it could function independently and self-sufficiently. The agreement was renewed in 1996. This agreement called for the City to provide \$50,000 "outright" as base grant and up to \$200,000 matching grant.

In 2001, it became apparent that self-sufficiency, at least over the near term, was not going to happen, and, in fact, that a greater base grant was needed to ensure on-going operations. A new agreement was signed June 17, 2002 that provided for a base grant in the amount of \$150,000 and a matching grant of \$100,000. An additional amount of up to \$50,000 was set aside annually to reimburse the Corporation for deferred maintenance. These funds could be applied to any catch-up or emergency maintenance need deemed jointly necessary by the City and Board. The City additionally funds the cost of a bus and driver for the senior transportation program (through an OCTA grant of approximately \$54,000).

It was during the discussion of this new agreement that staff was directed to look into the feasibility and cost for the City to take over Senior Center operations.

In December, 2003 the CMSC received a substantial bequest from a donor in an amount in excess of \$700,000. The Corporation Board is in the process of determining how best to invest the funds to maximize this windfall. While some of the principal may be used to resolve some deferred maintenance needs, the Board has indicated that the bulk of the funds should be invested with the interest then being available for use in operations.

This windfall, along with the improving economy, has lessened somewhat the urgency that the Board felt when it first came to the City two years ago to request that the City consider taking over Senior Center operations. There is no doubt that fundraising for operating monies is a difficult task.

The City and Board will have the right to exercise the second of the two one-year options to the existing agreement in June.

### **ANALYSIS:**

In looking at nearby cities, staff found that the average cost of operating a full service Senior Center to be approximately \$700,000. City of Irvine and City of Newport Beach each fully staff and operate the centers located in those cities. Both cities supplement operations with grants (transportation and program) and donations. Many programs are organized and led by volunteers. See attachment 1 for Senior Center Program Comparisons.

The total CMSC budget to run the Costa Mesa Senior Center in 2003 was \$770,000. A detailed analysis of the current operations is provided in Attachment 2. Were the City to takeover the operation of the Senior Center, staff estimates that a budget of \$520,000 would be needed to maintain programs and facility. This amount is \$220-270,000 more than is currently expended by the City in support of senior programs.

There are currently problems with most of the HVAC units (replacement cost for each unit is approximately \$12,000 and there are 14 units), the interior needs to be painted, the roof needs to be repaired/replaced and some of the appliances are at the end of their functional life. If the City were to take back over this facility, and were to accelerate the repairs/replacements/upgrades, the City could expect the additional one-time costs to be approximately \$150,000 (beyond what is currently budgeted for 2004-2005).

Operating under the City umbrella, maintenance and facility utilization would likely be better maximized than under CMSC. With the departure of Rock Harbor Church, the CMSC Executive Director will be hard pressed to add revenue producing programs and activities to offset the revenue loss. Under City management, access to adult program instructors and persons who routinely seek use of facilities would be optimized.

There are, however, many advantages to having a private non-profit corporation run the center, not the least of which is access to funding sources who will only provide grants to non-profit organizations. The current Corporation-paid staff have a great deal of flexibility in pursuing donations, sponsorships and gifts. The CMSC staff are able to be very flexible to critical, urgent needs that may fall outside the City's ability to respond to, such as delivering meals and clothing to a senior over the holidays or making sure that an indigent senior gets services. In the non-profit world, salaried employees frequently work longer than 40-hour weeks. In the municipal environment, staff are hourly and must be compensated when they exceed hours limits.

One other factor to consider is that the City currently has no direct supervisory costs or program support costs (administrative overhead to cut checks, monitor budget, inspect facilities, etc). It should be noted that the Recreation Manager sits on the CMSC Board at the direction of City Council, and that some administrative oversight occurs with respect to monitoring the contract. Public Services staff are also responsible, under the current agreement, for foundation, roof, exterior doors, landings, balconies, and exterior walls of facility as well as maintenance of landscaping.

Over the past few years, the Executive Director and Corporation Board members have had an increasingly difficult time in securing financial contributions and grants to support Senior Center operations. This trend is not expected to ease in the near future. In their retreat held in January, Board members expressed concern about their ability to continue to raise sufficient funds. An operational study, conducted by a Drucker Institute student, indicated that the market of the future is the Boomer generation. There is some resistance on the part of the current clientele to transforming the Senior Center into more of an adult or community center. Interestingly, this is the same direction the City staff would take the program should Council direct staff to terminate the agreement with the CMSC and take over the operation of the Center.

As an aside, but related to the question of raising funds, the Drucker Institute study recommended selling naming rights to the facility. There is no precedent for this type of sponsorship at this time in the City, but the City might be better served to reserve that ability for itself as opposed to giving over that right to a lessee. City staff are looking into corporate sponsorship opportunities and it could be that if a name sponsor were found for this facility that the lease agreement could be re-written to provide for revenue sharing.

#### **ALTERNATIVES CONSIDERED:**

- 1) Continue operation of Senior Center by Costa Mesa Senior Corporation as is
- 2) Increase/Decrease current General Fund contribution
- 3) Take over internal maintenance of the building (cost approximately \$100,000 annual)
- 4) Take over facility management and scheduling outside normal Senior Center operating hours. Revenue share or fully give over revenues from after hours and weekend activities to CMSC (cost approximately \$60,000 annual)
- 5) City of Costa Mesa to fully operate Senior Center
- 6) Eliminate funding for Senior Center

#### **FISCAL REVIEW:**

Funding for the existing agreement is included in the 2003-2004 fiscal year adopted budget and is proposed at the same level for 2004-2005.

#### **LEGAL REVIEW:**

There are no legal issues related to this item at this time.

**CONCLUSION:**

Pending review of this item at Study Session, it is staff's intention to agendize for renewal the existing agreement before July 1, 2004. Staff will recommend approval to extend that agreement to the final option year. Prior to development of something more long-term, staff are looking to the Council to define its intention with respect to the Senior Center and Senior Programming:

- Should funding and support remain the same?
- Should the City of Costa Mesa take on an increased level of support, either increasing its financial contribution or taking over some aspects of the operations?
- Should the City of Costa Mesa revert back to the agreement of the 1990's in which there was move to make the CMSC a self-sufficient operator of the Senior Center?

---

JANA M. RANSOM  
Recreation Manager

---

STEVEN E. HAYMAN  
Administrative Services Director

DISTRIBUTION: City Council  
City Manager  
Public Services Director  
Maintenance Manager  
Recreation Commission  
Costa Mesa Senior Corporation Board

ATTACHMENTS: 1 [Senior Center Program Comparison](#)  
2 [Senior Center Assessment](#)