



PORTLAND PARKS & RECREATION FOLLOW-UP:

New softball contract allows Parks to develop competitive request-for-proposals

A REPORT FROM THE CITY AUDITOR
July 2007



Office of the City Auditor
Portland, Oregon



CITY OF
PORTLAND, OREGON

OFFICE OF THE CITY AUDITOR
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July 9, 2007

TO: Mayor Tom Potter
Commissioner Sam Adams
Commissioner Randy Leonard
Commissioner Dan Saltzman
Commissioner Erik Sten
Zari Santner, Director, Bureau of Parks and Recreation

RE: Follow-Up Audit of Portland Parks and Recreation contract renewal with PMSA
(Report #355)

Attached is Report #355 containing the results of our audit of the Bureau of Parks and Recreation's contract renewal with the Portland Metro Softball Association (PMSA). A written response from Commissioner Saltzman and Parks and Recreation Director Zari Santner is attached to the report.

We ask that the Director of the Bureau of Parks and Recreation prepare a status report in one year detailing steps taken to address the recommendations contained in our report.

We appreciate the cooperation and assistance we received from the Bureau of Parks and Recreation as we conducted this audit.


GARY BLACKMER
City Auditor

Audit Team: Drummond Kahn
Ken Gavette
Jodi Brekhus

Attachment

PORTLAND PARKS & RECREATION FOLLOW-UP:

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Introduction

The Portland Parks and Recreation Bureau (Parks) and the private non-profit Portland Metro Softball Association (PMSA) have partnered for more than 65 years, according to Parks, to provide opportunities for recreational softball play in the Portland area. According to Parks, this relationship has benefited both Parks and PMSA. The Parks Bureau benefits from PMSA's softball expertise and leadership, field and team scheduling, volunteer contributions, and donations to improve the softball playing fields. PMSA benefits in that they operate within a tournament softball facility (Owens Sports Complex housed within Delta Park), have a high level of maintenance provided by the City of Portland, receive part-time support from a City employee in scheduling fields and teams, and have a considerable amount of influence in some aspects of softball-related decision-making.

As the contract between the Parks Bureau and PMSA came up for renewal in June 2005, the Audit Services Division conducted an audit to identify opportunities to improve the contractual relationship between Parks and PMSA. This new contract presented an opportunity to streamline softball-related operations, reassess financial needs, clarify Parks' and PMSA's roles and responsibilities, and develop long-range plans. Parks did not execute a new contract but continued operating the softball program with PMSA for the next two years. According to the Parks Bureau, the new contract was delayed due to three factors:

1. The Bureau was waiting for recommendations from our report
2. Bureau staff turnover
3. PMSA staff illness

A contract between Parks and PMSA has now been signed and is effective through October 2008. With this new contract, Parks addressed several issues noted in the 2005 audit. Parks resolved an operational issue, made substantial progress in balancing financial obligations, addressed some areas needing role clarification, and revisited long-range planning.

Parks is planning to develop a competitive request for proposal (RFP) for the future management of Delta Park. According to Parks management, after this new contract with PMSA, the Parks Bureau will implement a competitive RFP process. The RFP process will seek a private entity (non-profit or for-profit) who will take over the management and possibly maintenance of Owens Sports Complex or the entire Delta Park.

Background

In August 2005, our report, *Parks Bureau Softball: Operating agreement for the softball program should be revised as it nears self-sufficiency* (#323) found that PMSA was successfully operating the softball program at Owens Sports Complex. For four of the prior five fiscal years, PMSA had an average \$70,000 surplus of funds while the City provided a public annual subsidy to the softball program of about \$100,000. In the report, we suggested limiting the public funding of the softball program at Owens Sports Complex since the program was running a financial surplus.

We also found overlapping roles and responsibilities between Parks and PMSA. For instance, the City provides a maintenance crew, maintenance equipment, supplies, and labor to maintain the softball fields at Owens Sports Complex. However, the PMSA complex manager, a non-City employee, provides some oversight to the City maintenance crew and is paid partially by the City. PMSA reimburses the City for some maintenance overtime. We recommended Parks separate responsibilities as much as possible.

Another recommendation from our report was for Parks to intentionally set registration fees based upon the City's long-range goal or purpose for the Owens Sport Complex softball program. PMSA has

typically taken the lead in terms of setting team registration fees while Parks negotiates the City's surcharge amount. We believe Parks' role in registration team fee setting should continue to be enhanced and the amount of the surcharge paid to the City from registration team fees should be set based on the long-term goal of self-sufficiency.

Objective, scope, and methodology

The objective of this audit is to determine the extent to which Parks implemented the recommendations from Audit Report #323, *Parks Bureau Softball: Operating agreement for the softball program should be revised as it nears self-sufficiency*. In order to determine the extent to which recommendations were implemented, we reviewed Parks' 12-month audit response, reviewed the new Parks and PMSA contract, interviewed Parks Bureau staff and a representative on behalf of Commissioner Dan Saltzman, and reviewed PMSA's recent 990 federal tax returns forms as well as the City's budget as it pertains to Delta Park.

We conducted our work in accordance with generally accepted government auditing standards.

Audit findings and results

In our 2005 audit, we made five recommendations to the Parks Bureau regarding the Owens Sports Complex softball program. Figure 1 presents these recommendations and indicates the current status of implementation.

Figure 1 Recommendations from 2005 and status of implementation

	Recommendation	Status
Money transfers	Money should move between the two entities as few times as possible to minimize error and increase financial accountability	Implemented/resolved
City's financial support	The City should not subsidize the operation of the softball program while the PMSA runs an operational surplus. Language in the original draft contract requiring the PMSA to reinvest profits in the softball program is not adequate to ensure fairness to other general fund programs. Excess revenue should not "belong" to the PMSA.	In process
Long range planning	Long-range planning for the facility should remain solely the responsibility of the City, not the contractor. It should not include any plans that would restrict the City's future operational choices in any way. There does not appear to be a good reason why long-range planning should be included in the contract with PMSA.	In process
PMSA management services	The City should not reimburse for management services rendered by PMSA. That is what PMSA is contracted to provide. Their proportion of the fees should take this into account.	In process
Registration fees	Fees should be set with a goal in mind, and the Bureau should be more involved in the fee setting process. For example, the Bureau should consider the trade-offs between being self-supporting and keeping registration fees affordable. The split in registration fees should reflect the actual cost borne by each party for operation of the program.	Not Implemented

Money Transfer Recommendation:

Money should move between the two entities as few times as possible to minimize error and increase financial accountability.

Status: Implemented/Resolved

The new contract outlines procedures for minimal money transfers, clarifying and simplifying a formerly complex financial arrangement. According to the new contract, all funds will be collected by PMSA and PMSA will forward the City their portion of the fees on an annual basis. The current contract states the PMSA will “provide enrollment services for all team/league registration. PMSA is ... required to use City software and hardware for this purpose” (Part A, 3S).

City’s Financial Support Recommendation:

The City should not subsidize the operation of the softball program while the PMSA runs an operational surplus. Language in the original draft contract requiring the PMSA to reinvest profits in the softball program is not adequate to ensure fairness to other general fund programs. Excess revenue should not “belong” to the PMSA.

Status: In Process

The Parks Bureau agrees that the City should no longer subsidize the Owens Sports Complex softball program. The new contract makes an effort to relieve the City of some of its financial support of the softball program. The Parks Bureau proposed cost savings in four substantive areas:

1. Decrease management subsidy to PMSA;
2. Increase City’s surcharge of registration fees;
3. Require a minimum donation from PMSA for facility improvements; and
4. Reduce the Parks Bureau staff time away from supporting PMSA softball-related duties.

The new contract will effectively lower the City’s reimbursement of the PMSA manager’s salary, saving the City \$29,000 of general funds. Depending upon the number of team registrations, the increased surcharge beginning July 2006 will effectively result in up to \$22,500 increased revenue for the City during the 2006-07 fiscal year. The current contract also requires PMSA to donate a minimum of \$30,000 annually to facility enhancements at Delta Park.

Long Range Planning Recommendation:

Long range planning for the facility should remain solely the responsibility of the City, not the contractor. It should not include any plans that would restrict the City's future operational choices in any way. There does not appear to be a good reason why long range planning should be included in the contract with PMSA.

Status: In Process

The new contract contains the same wording as prior contract drafts stating, "[The City shall] provide staff assistance to develop a long range plan for PMSA operation of the Delta Sports Complex" (Part A, 4N). Articles asserting the City's ownership and authority of the facility have also been retained. These are the following:

The Parks Bureau shall...

- "Reserve the right, through their ownership of the Sports Facility to have ultimate control and authority over any program or use of the Sports Facility" (Part A, 4J)
- "Reserve the right to schedule all facilities and fields at Delta Park and the Sports Complex at its discretion" (Part A, 4G)
- "Reserve the right to have exclusive use of the portions of the Field House currently used as a maintenance building" (Part A, 4I)

The contract clauses cited above appear to be mixed messages. According to the Parks Bureau, the City intends to retain long range planning of Delta Park. We urge the Parks Bureau to remove Part A, 4N referring to PMSA's long-range planning efforts from future contracts.

PMSA Management Services Recommendation:

The City should not reimburse for management services rendered by PMSA. That is what PMSA is contracting to provide. Their proportion of the fees should take this into account.

Status: In Process

The new contract reduces the PMSA management subsidy from \$40,000 to \$11,000. The new PMSA contract states, "This [\$11,000] amount is to be used to pay for costs associated with PMSA's non-

softball related expenses and services which they are providing to the City, at the City's request" (Part A, 3T). The contract gives examples of non-softball related expenses as "on-site oversight of the athletic field maintenance crew when the [City] Sports Supervisor [is] off-site, field scheduling at Delta [Park] with other sport associations such as soccer, rugby, lacrosse, kickball, and ultimate Frisbee" (Part A, 3T). Here again, we recommend Parks continue to separate job responsibilities by assigning PMSA, the softball experts, to softball-related duties and covering other sport related duties with appropriately assigned Parks Bureau staff.

According to the Parks Bureau there are three upcoming initiatives that will fully eliminate PMSA's management support to the City:

1. Explore moving the City Sports Supervisor to an on-site location
2. An on-site Parks Bureau lead maintenance employee
3. The upcoming RFP

Registration Fees Recommendation:

Fees should be set with a goal in mind, and the Bureau should be more involved in the fee setting process. For example, the Bureau should consider the trade-offs between being self-supporting and keeping registration fees affordable. The split in registration fees should reflect the actual cost borne by each party for operation of the program.

Status: Not Implemented

Intentional fee setting is a critical part of operating the City's softball program. If registration fees are set too high, softball players may take their business elsewhere. If fees are set too low, Owens Sports Complex could be forced to let tournament maintenance standards diminish or the City may not be fully relieved of their subsidy.

The new contract does not address whose role it is to set registration fees. Currently, Parks plays a relatively passive role. According to Parks management, it is the PMSA board that sets registration fees and the City is involved through the Parks Sports Supervisor who sits on the PMSA board as a non-voting member.

According to Parks management, the current rationale in registration fee setting is to recoup PMSA's expenses. Registration fees are set based on estimated operating expenses such as:

- PMSA personnel costs
- Umpire costs
- Registration fee surcharge paid to Parks
- Registration dues paid to Amateur Softball Association
- Materials and services donated to the sports facilities (mainly soil amendments)
- Capital expenditures donated to the sports facilities (e.g. fencing, equipment, etc.)
- Other miscellaneous costs

During Parks' negotiation of the new contract with PMSA, the City's portion of registration fees increased by \$25 per team registration, however, there was little evidence that the City's share of registration fees is based on the principle that the softball program should be self-sustaining. It is important to remember that the original plan for operating and maintaining Delta Park was for the facility to be financially self-sufficient. The City's surcharge amount directly impacts whether the goal of self-sufficiency is realized.

While we can assume that PMSA is collecting enough in registration team fees to cover their operating expenses (demonstrated by several years of surplus revenue), we found little evidence that the method used to determine the City's surcharge amount is made with the goal of recovering the City's share of expenses. We urge the Parks Bureau to exercise more control over the fee setting process, making sure that the City's interests are protected and specifically, that the surcharge amount reflects Parks' stated goal of self-sufficiency.

Other matters

During our follow-up audit, four other matters relating to the administration of the contract came to our attention.

1. There appears to be a gap between contracts from 7/1/05 to 6/30/06 without an amendment or contract extension. The contract from 7/1/00 to 6/30/05 contained a clause that allowed for the agreement to be renewed. However, no change order or amendment indicating an extension of the contract was on file with the City.
2. The new contract was retroactively dated to begin on 7/1/06. However, the new contract was signed by City Council on 6/22/07, almost one year after the contract commenced.
3. We did not find documentation of PMSA's general liability insurance, from 1/01/05 to 7/21/06, during the gap between contracts. There was also an absence of documentation for PMSA's workers compensation after 9/01/2005.
4. The new contract does not show PMSA's business license number or an exemption for registering as a non-profit organization.

Conclusions and recommendations

With the new contract, the Parks Bureau implemented some of the recommendations from Audit Report #323 including:

- Simplifying a cumbersome money transfer process with an efficient, streamlined process.
- Accepting, in principle, that the City should not subsidize the softball program. The new contract reduces the direct support expenditures provided in past agreements.
- Reducing PMSA's management subsidy from the City. This is a step towards clarifying PMSA's and the Parks Bureau's roles and responsibilities.

We recommend the Commissioner-in-Charge direct the Parks Bureau, through the current RFP process, to implement other recommendations from Audit Report #323.

1. The Parks Bureau should strive to completely eliminate the City's subsidy funding of the softball program.

2. The Parks Bureau should eliminate contractual language referring to contractor's long-range planning efforts.

The Parks Bureau should lead all long-range planning and goal-setting efforts while seeking the valuable input of all interested parties. Part A, 4N in the new contract, as currently worded, implies the City will assist PMSA in their long range planning efforts.

3. The Parks Bureau should increase their participation in the fee setting process.

Team registration fees and the City's surcharge amount should be set in an effort to obtain Parks stated goal of self-sufficiency.

4. The Parks Bureau should continue to clarify and separate the roles and responsibilities of Parks and its contractors.

RESPONSE TO THE AUDIT

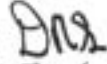



PORTLAND PARKS & RECREATION

Healthy Parks, Healthy Portland

June 28, 2007

TO: Gary Blackmer, Auditor

FROM: Dan Saltzman, Commissioner 
Zari Santner, Director 

RE: **Response to Audit Report: *Portland Parks & Recreation Follow-Up – New softball contract allows Parks to develop competitive request-for-proposals, June 2007***

Thank you for the opportunity to comment on the Final Draft of Audit Report #355. We appreciate the time you took to review Portland Parks & Recreation's response to your recommendations in Audit Report #323, made in August 2005.

Your further assessment and recommendations contained in the attached Report will be carefully considered in future initiatives as a result of the planned RFP award.

One recommendation of note calls for the elimination of all City subsidy of the PMSA program. Since all PMSA revenues collected beyond PMSA program expenses are ultimately reinvested by PMSA into the facilities at East Delta Park and other PP&R softball facilities, we believe that the City is a primary benefactor of PMSA's success. In the past, PP&R has seen the mutual benefits of allowing PMSA to save over several years. This has resulted in PMSA giving sizable donations to the City for facility upgrades and improvements. PP&R agrees that it should push our partners to the highest degree of self-sufficiency possible, but we also want our partners to help PP&R in ways that help all parties in a partnership.

As always, it is a pleasure to work with you and your staff.

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Dan Saltzman, Commissioner
Zari Santner, Director



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competitive request for proposals*

Report #355, July 2007

Audit Team Members: Jodi Brekhus
Ken Gavette

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Gary Blackmer, City Auditor
Drummond Kahn, Director of Audit Services

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