

## **Recreation and Park Department Concessions**

### **SUMMARY**

The 1996-97 San Francisco Civil Grand Jury visited the city's five golf courses and reviewed various Recreation and Park Department (R&P) concession contracts that three predecessor juries of the past decade (1986-87, 1992-93, & 1993-94) had also examined. The Grand Jury found that R&P has failed to make the constructive changes previous juries recommended, such as enforcing those conditions of golf course contracts that require concessionaires to upgrade service and/or build or maintain various structures. The Jury also found R&P lax in long-term planning: R&P often allows contracts to approach or actually reach expiration without examining how well the concessionaire has adhered to contractual obligations or determining whether additional contract provisions might better satisfy both users' needs and budget considerations. R&P fails to include clauses in its concession contracts assessing sufficient penalties to encourage strict compliance. When lessees have consistently fallen short on their obligations, including even timely payment of monies due the city, R&P hasn't issued Requests for Proposals (RFPs) far enough in advance to ensure a smooth transition to new management.

Unlike most City entities, which cost taxpayers money, concessions such as those at the City's golf courses actually earn money for the general fund. Both residents and visitors use these facilities and may infer exactly how much pride San Francisco takes in its ownership of these properties by how the city takes care of them. The Grand Jury notes with regret that, in far too many instances, these inferences would be negative.

The Jury concludes that closer attention to concession contracts and upkeep of the facilities would enhance both the tangible and intangible value of these public assets.

### **BACKGROUND**

The City and County of San Francisco owns numerous parks and recreation facilities, which R&P manages. R&P contracts with concessionaires to operate these recreational facilities, among them five golf courses: Golden Gate, Harding, Lincoln, McLaren, and Sharp Park. Contracts specify how rents are determined and allocate responsibilities for interior and exterior upkeep of grounds, clubhouses, restaurants, pro shops, cart storage, and driving ranges, plus any building construction or renovation.

### **METHODS**

The Grand Jury reviewed the recent history of R&P's management of its concessions, focusing mainly on the five golf courses. (Physical conditions of the courses themselves were beyond the scope of this report.) Members of the Grand Jury inspected all golf course concessions, including restaurants, club houses, pro shops, cart storage, and driving ranges. The Jury requested and studied copies of concession contracts and job descriptions of selected R&P employees. Job descriptions specify the duties of R&P employees in overseeing these functions. Jury members met with those R&P employees responsible for overseeing contract compliance, from on-site staff to supervisory personnel.

Physical Conditions at Golf Course Structures

Findings

Physical conditions at all but one [1] of the golf courses showed neglect. Closer inspection revealed failures of maintenance or poor management in numerous areas, some merely aesthetically displeasing, [2] others actually hazardous. Specific examples include the following: worn, torn, and stained carpeting; non-functioning locker-room showers and dirty restroom facilities; exposed, overflowing garbage cans; graffiti; poorly maintained cart storage sheds and driving ranges; missing soap and towels in a kitchen employee lavatory; inappropriate use of a recreational area to store construction debris; illegal indoor smoking area; mildew odor and unrefrigerated poultry, meat, and fish in a restaurant, and a missing sign for a hard-to-locate facility.

R&P does not require both on-site and supervisory personnel to keep a check-list of contract provisions for maintaining the City's facilities in order to detect lapses and alert those responsible for seeing they are corrected in a timely fashion.

### Recommendations

1. R&P should establish a mandatory procedure to enable those City employees whose duties bring them to R&P facilities to report substandard conditions quickly and easily.
2. Supervisory personnel should regularly visit all facilities for which they have oversight responsibility to determine whether both R&P's and concessionaire's on-site staff are doing their jobs.
3. When on-site personnel report any maintenance problems that might affect safety, or health of either employees or users, R&P senior staff should promptly alert the appropriate City departments as well as the concessionaire.
4. R&P should train staff at all levels to follow up on all reported problems and make certain they have been fully corrected within a reasonable amount of time.
5. R&P personnel should provide printed forms that encourage members of the general public who use its facilities to report any areas of concern.
6. R&P should be meticulous in maintaining its contractual obligations, thereby encouraging concessionaires to maintain theirs.

### Concession Contracts

#### Findings

The Grand Jury found several problems related to the wording, awarding, and maintenance of both golf course and other recreational concession contracts. Some lessees fail to make required capital improvements in a timely fashion, but R&P contracts seldom provide other options - - either increased rent or alternative improvements - - when the original agreement cannot be fulfilled. In one case, a contract required a golf course concessionaire to build a driving range within eighteen months; the concessionaire did not even submit plans till three years had passed. By then, various neighborhood changes and newly discovered environmental concerns had made the project infeasible, but the contract did not require the lessee to build the range at an alternative location or, if that was not possible, recompense the City monetarily. In another instance, a concessionaire constructed a golf cart-storage shed that was markedly smaller than contract specifications, then let it fall into disrepair. The Grand

Jury could find no evidence that R&P either exacted compensation for the reduced building size or insisted the shed be properly maintained.

Contracts alert lessees to the specific years for which they may expect audits, encouraging them to report revenues accurately for those years but not necessarily for every year.

Rather than issuing RFPs well in advance, especially for those concessions not performing up to expectations, R&P often allows contracts to expire and go on a month-to-month rental, thereby sometimes prolonging a relationship with an unsatisfactory tenant. The Grand Jury found eight concessions operating with expired agreements and two others due to expire in 1998. One of those is a golf course under consideration for an upgrade to professional tournament standards, which would require substantial expenditure of funds and add considerably to the complexity of negotiating a new lease.

R&P has allowed several tenants to fall into arrears on their rents, resulting not only in loss of income to the City but also in occasional lengthy disputes over amounts due, some of which have required the City Attorney's intervention. In one such case, the amount in dispute is over \$100,000. Although the SF Controller alerted R&P to problems with one contract in a 1994 audit, R&P neglected to take corrective action for two years and has just recently referred the matter to the City Attorney.

#### Recommendations

7. R&P contracts should contain provisions that ensure lessees comply with contractual obligations in a timely fashion, provide remedies for unwarranted delays, and penalize concessionaires who willfully neglect to fulfill agreed-upon contractual obligations.

8. Contracts should provide mutually agreed-upon remedies, including renegotiation, in the event factors beyond the lessees' control, such as environmental restrictions or neighborhood objections, prevent fulfilling the original conditions.

9. R&P should review contracts long enough before their expiration dates to be able to effect any desired changes in terms or issue RFPs.

10. R&P should make timely and accurate rent payment by its concessionaires a higher priority than has been its practice, instituting remedial action whenever lessees either fall into arrears with or under report monies due.

11. Contracts should not specify in which (or for which) years audits will occur.

#### Record Keeping

#### Findings

The Grand Jury had some difficulty in making certain determinations because R&P did not keep the kinds of records necessary to review the histories of each property thoroughly. For example, when the Jury requested proof of insurance and workers' compensation policies, R&P's Property Management division did not have current certificates on file. (R&P subsequently obtained, and then gave the Jury, up-to-date certificates for all concessionaires.)

R&P never was able to provide building plans the Jury requested.

#### Recommendations

12. R&P should institute procedures to determine on a regular basis whether lessees are maintaining all required insurance.

13. R&P should keep files of blueprints and other related construction documents so that its own staff or outside examiners can readily check any structures against their original plans.

#### REQUESTED RESPONSES

Mayor

San Francisco Board of Supervisors

General Manager, Recreation and Park Department

Recreation and Park Commission

Controller

City Attorney

#### Footnotes

1. The concessionaire at Sharp Park Golf Course provides on-site supervision; the result is an admirable model for other lessees to emulate..

2. A member of the Grand Jury had a chance encounter at the grocery store with a visitor from Belgium, who comes to the Bay Area regularly to play golf. Asked whether he ever played the City's courses, he replied that he had golfed at Lincoln Park and volunteered that, though in a physically magnificent setting, the facilities were a disgrace, something he, the mayor of a city that attracts thousands of tourists, would never allow to go uncorrected..