



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: JANUARY 10, 2017

FROM: PARKS, RECREATION AND COMMUNITY SERVICES DEPARTMENT WARDS: ALL

**SUBJECT: AUTHORIZE SPECIAL INSTRUCTOR SERVICES AGREEMENTS, AND
AUTHORIZE FINANCE DEPARTMENT TO APPROPRIATE ADDITIONAL
REVENUES AND EXPENDITURES BASED ON ACTUAL PERFORMANCE OF
SPECIAL INSTRUCTOR SERVICES AGREEMENTS – SUPPLEMENTAL
APPROPRIATION**

ISSUES:

Authorize Parks, Recreation and Community Services Department Special Instructor Services to incorporate the Revenue Share provision in the Special Instructor Services agreements, and authorize the Finance Department to continuously appropriate the additional revenue and the corresponding, contractual expenses associated with the performance of Special Instructor Services agreements.

RECOMMENDATIONS:

That the City Council:

1. Authorize the City Manager, or designee, to execute Parks, Recreation and Community Services Department Special Instructor Services Agreements with the agreed Revenue Sharing Compensation payment schedules; and
2. Authorize the Finance Department to appropriate additional revenues and expenditures based on the actual performance of Special Instructor Services agreements.

BACKGROUND:

The Parks, Recreation and Community Services Department (PRCSD) utilizes skilled independent contractors/contract instructors to offer a variety of programs for all age groups. In Fiscal Year 2015-16, approximately 12,000 participants registered for more than 700 classes conducted by contract instructors at over 14 City facilities and 16 non-city owned facilities. Contract classes generated approximately \$735,000 in gross revenue for the General Fund in Fiscal Year 2015-16 of which \$447,000 was paid to providers and \$288,000 was retained by the City.

Contract class categories include aquatics, arts/culture, dance/cheer, education/tutoring, gymnastics, martial arts/fitness, music/theater, special interest, camps, sports for infants, preschool, and youth, in addition to the adult, and 55 and better age group.

Contract instructors are secured using a recruitment process, commonly used in the municipal recreation profession.

It requires the submittal of a class proposal, staff review of their class proposal, a background check, an interview, and a reference check. Contract classes cannot be designed to sell, promote, or recommend products from the contractor's business, pose an unreasonable safety risk to participants, generate insufficient revenues to cover the cost borne by the City, imply religious instruction, or offer a religious-based program or service

Additional requirements include:

1. City of Riverside Business License,
2. Fingerprinting through the City's Human Resources Department, and
3. Insurance (levels depend on class type/risk).

Once the contract instructor meets all the criteria, he or she enters into an Agreement for Special Instructor Services, and becomes an independent contractor for the City.

The standard revenue split for contract classes is:

Revenue Sharing	Paid to Instructor	Paid to the City	Scenario	Class Example
60/40	60%	40%	class is held at a City facility	Water aerobics, yoga, acting, dog obedience
70/30	70%	30%	class is held at a non-city owned facility	Dance, tutoring, ice skating
80/20	80%	20%	specialty classes/camps	Fall camp, winter camp, summer camp, learn to swim

The instructor payments are fully covered by revenue collected for their courses. Instructor payments are processed after the course revenue is collected.

DISCUSSION:

When contract payments exceed \$50,000, Council approval is required per Administrative Policy 07.014.00.

The Special Instructor Services agreements differ from typical contracts as they are governed by the revenue-share arrangement. Amounts paid to the independent instructors is tied directly to actual registrations and the revenues collected by the City on behalf of the contract instructors. No payment is made to the independent instructor services providers before revenue is collected.

There are 59 active Special Instructor Services agreements, see Attachment 2 for the complete list. Most of these contracts will not exceed \$50,000 in revenue sharing payments.

The following table summarizes the estimated gross revenues generated from contract classes and the share paid to providers and retained by the City. The contracts are attached for the top 4 performing independent contractors who have either exceeded or are anticipated to exceed \$20,000 in payments (based on revenue share agreements) and as summarized in the following

table:

Special Instructor Service Providers	Estimated Gross Revenue FY 16/17	Estimated Contractor Share FY 16/17	Estimated City Retained Share FY 16/17
Anderson's Playschool (Jeanette Anderson)	\$119,500	\$90,000	\$29,500
Jumpstart Recreations, Inc. (Ashling Alfonso)	\$113,250	\$85,000	\$28,250
Brit West Soccer, Inc. (Brian Miller)	\$41,667	\$25,000	\$16,667
Shotokan Karate (Amy Hung)	\$33,333	\$20,000	\$13,333
All Other Special Instructor Services Providers	\$415,250	\$290,000	\$125,250
TOTAL:	\$723,000	\$510,000	\$213,000

A review of the previous payments made under the Special Instructor Services agreements found that City Council did not authorize the contracts that resulted in payments in excess of \$50,000. This staff report corrects past practice by requesting City Council authorization to make the payments in accordance to the revenue sharing component of the agreements and authorization for the Finance Department to include the supplemental appropriations of revenue and allocations for the expenses based on the performance of each Special Instructor Agreement.

FISCAL IMPACT:

The total estimated gross revenues from contract classes included in the adopted FY 2016-2018 budget from all contract classes is approximately \$723,000 annually and flows directly to the General Fund. Based on this level of estimated gross revenues and based on past year as well as current contract class performance, it is anticipated that the revenue share agreements will require payments totaling approximately \$510,000 in the current Fiscal Year period to the various contract class providers combined; and that the City would retain approximately \$213,000.

Prepared by: Adolfo Cruz, Parks, Recreation and Community Services Director
 Certified as to availability of funds: Scott G. Miller, PhD, Chief Financial Officer/City Treasurer
 Approved by: Alexander T. Nguyen, Assistant City Manager
 Approved as to form: Gary G. Geuss, City Attorney

Attachments:

1. Template for Special Instructor Services Agreement
2. List of current Special Instructor Services providers
3. Contracts for Anderson's Playschool, Jumpstart Recreations, Inc., Brit West Soccer, Inc. and Shotokan Karate