

ARC BOARD MEETING MINUTES

July 18, 2016

The ARC Board meeting was called to order by Jonathan Hartung (President) at 6:37pm. He welcomed everyone and asked for a roll call.

Board Members present: Frana Milan (Secretary), Vic Roberson (Vice President, Chris Copacino, and Dave Towne. Trang Hoang and Jonathan Hartung participated by phone.

Board Members excused: Terry Holme and Bernardo Ruiz.

ARC Staff: Bill Keller and Christina Arcidy.

Seattle Parks and Recreation Staff: None.

Seattle Preschool Program Update (6:41 pm):

- The issue of consolidating the budgeting of the preschool program to the board was introduced. The result of a July 6 executive committee meeting resulted in the recommendation to bring together the board for review of the issue and a vote.
- Staff reviewed the issues presented in the July 6 memo to the ARC Board Executive Committee and July 12 memo to SPR regarding the Preschool RFP process:
 - ARC as of today has \$7M in cash, with a deferred revenue of about \$1.25M.
 - The leadership of SPR is looking to make a cultural change and bring new partners to support SPR's mission, specifically related to preschool.
 - Historically ARC has not been allowed to expand preschool programming from its existing model because SPR said it took up too much dedicated space. This changed in November 2015 when the Mayor's Office requested SPR to find space or have existing ARC programs apply to the Seattle Preschool Program.
 - On June 21, SPR met and superintendent approved moving forward with an SPR Request for Qualifications to find partners to run seven preschools in SPR facilities.
 - The memo shared on June 21 with the superintendent stated that ARC was ineligible for capital funds due to being created by city ordinance. Staff clarified this in a statement stating ARC was recognized by ordinance and not created by ordinance.
 - Currently SPR states ARC is eligible to apply for RFQ.
 - The memo also stated that two separate organizations cannot be in one licensed space. Staff clarified with the Department of Early Learning (DEL) that this is untrue.
 - Staff is currently waiting on a response from Jesús or Christopher to his concerns about the RFP process.
- Board members discussed the issue further before calling for a vote.
- Vic made a motion to consolidate the ARC fund balances incrementally and start with the consolidated budgeting of 13 preschool programs as of September 2016 to correspond

with the school year. Dave Towne seconded the motion. Jonathan called for discussion. There was no further discussion. The motion passed unanimously.

Adjourn

Dave Towne moved to adjourn and Vic Roberson seconded the motion. Motion was approved. Meeting adjourned.



MEMORANDUM

July 6, 2016

To: ARC Board of Directors Executive Team

From: Bill Keller, Executive Director
Christina Arcidy, Deputy Director

RE: ARC Fund Balances Consolidation

Requested Action

The board is requested to vote to consolidate ARC fund balances incrementally and start with the consolidated budgeting of 13 Preschool Programs as of September 2016 to correspond with the school year.

Background

In 1975, the Associated Recreation Council (ARC) was created by City Ordinance “for the purpose of assisting in planning and implementing recreational activities for the public.” At this time, each Advisory Council was set up as a separately incorporated non-profit organization under the parent organization the Associated Recreation Council. For this reason, each council’s finances were separated and each retained its own fund balance. ARC’s financial sustainability was ensured by creating a fee for service model.

In 2008, ARC signed a new Master Services Agreement with the City of Seattle. The advisory councils were disbanded as individual non-profits and consolidated as one non-profit organization under the Associated Recreation Council, retaining the historical tax identification of the parent organization. The Master Services Agreement called for ARC to consolidate unrestricted fund balances of each advisory council as of the date of the agreement.

The ARC Board of Directors did not recommend immediate consolidation of advisory council fund balances. Several board members were members of advisory councils and instructed ARC staff to hold off on this aspect of implementing the agreement. The issue of consolidating the fund balances has been brought to the attention of the ARC board since this time and until recently was not acted upon.

The attendees of the March 2016 ARC Board of Directors Retreat instructed the ARC staff to assist with the creation of a plan to consolidate the advisory council fund balances. This memo serves as a first step in that plan.

The City of Seattle just completed the first year of the Seattle Preschool Program, an initiative to expand access to high quality preschool programs for Seattle 3- and 4-year olds. The City has asked Seattle Parks and Recreation (SPR) to open spaces as its facilities for Seattle Preschool Program classrooms, as

there is not enough space in the community for the demand. The demonstration project will last until 2019 and will serve up to 2,000 three and 4-year olds.

In a June 21, 2016 memo to Superintendent Jesús Aguirre, SPR Superintendent, the SPR Out-of-School Time Office recommended that SPR conduct a Preschool Request for Qualifications (RFQ) process to support the City of Seattle's Preschool Program Initiative. The recommendation made and accepted by the Superintendent is for SPR to conduct a RFQ in order to accomplish the following:

- Diversify service providers within SPR facilities.
- Address displacement of preschool programs from Seattle Public School facilities.
- Align program liability with the program license holder (currently SPR holds the license for ARC programs).
- Access capital improvement resources which must be distributed based on a competitive RFQ process (ARC is not eligible as the current provider of programs at a location because we were created by City Ordinance).

The recommendation accepted by Superintendent Aguirre is for ARC to remain the provider at existing Seattle Preschool Program: Pathway sites (2) and continue to offer preschool in the current half day model if a facility cannot be licensed.

Key Policy Issues

1. ARC and Seattle Parks and Recreation Master Services Agreement

The Master Services Agreement states, "ARC shall consolidate unrestricted fund balances as of the date of this Agreement, including fund balances identified with specific Advisory Councils, into a single Consolidated Fund Balance." ARC has not consolidated any unrestricted fund balances at this time. ARC is currently out of compliance with this requirement of the Master Services Agreement.

2. Equity

ARC and SPR have a commitment to race and social justice. Both use the Race and Social Justice Toolkit as a lens to help dismantle institutional racism within each organization.

At the end of fiscal year 2015, 15 advisory councils had 82% of the organization's fund balance. These advisory councils historically served white, middle to upper class families. These advisory councils historically offered a rich menu of recreation programs, classes and activities. Participants had disposable income for recreation services and would return year after year for programs. These advisory councils were able to keep up with recreation trends and invest in new equipment and capital projects at their facilities.

The remaining 23 advisory councils had 18% of the organization's fund balance. These advisory councils historically served people of color, refugees/immigrants, English language learners, and low-income adults and families. Free recreation and partnership programs (such as back to school backpack giveaways or the fall harvest festivals) have been well attended. Fee-based recreation services have been offered with limited scholarships, which has limited participation. These advisory councils have had to rely on donations from other advisory councils, other granting organizations, or SPR funding to invest in new equipment and capital projects at their facilities.

3. Accounting System Restrictions and Fiscal Year

The ARC accounting system will need a software upgrade within 2-3 years to keep up with the organization's growing needs. The upgrade would serve as an opportune time to update ARC's accounting codes to correspond with the change based on consolidating fund balances. Once fund balances are consolidated, ARC will budget by program (preschool, school-age care, enrichment, recreation) instead of by advisory council. Reports will still be able to be run by program location in a new system.

ARC's fiscal year is from January 1-December 31. Transitioning to a fully consolidated system would be advisable on a fiscal year with a start date of January 1. Running two parallel systems during the software upgrade will be necessary and could continue through to a change in fiscal year to accommodate the fund balances consolidation.

An interim step within the existing software system would be to stay with the current coding and creating new advisory councils (such as with RecTech and fiscal sponsorship accounts) by program. These would function as a consolidated program budget within the current accounting system with little set up. Staff would still be able to receive management reports by site and funds would be able to be used as needed across the system regardless of where the revenue was generated.

4. Preschool Funding: Types and Cycles

ARC will offer several types of half day (3, 3.5 or 4 hour) preschool programs starting in Fall 2016, including 1) Seattle Preschool Program: Pathways, 2) recreation preschool programs, and 3) "after care" preschool at Carkeek Park for participants in Tiny Trees outdoor preschool program. Two or more programs will potentially become licensed during the 2016-17 school year.

The 2015 revenue for the 13 preschool programs was \$1,003,675 or 7% of ARC's revenue. Revenue streams will include full paying customers, advisory council scholarships, Seattle Park District scholarships, and City of Seattle (Seattle Preschool Program) and may include DSHS reimbursement. Advisory council scholarship cycles and City of Seattle (Seattle Preschool Program) are on a school year calendar with start dates of last week in June and July 1 respectively. Full paying customers and DSHS are monthly cycles. Seattle Park District scholarships are awarded quarterly.

The number of types of revenue streams and their cycles are divergent. With advisory council scholarships and City of Seattle (Seattle Preschool Program) funding being the most at over \$100K, it makes the most sense at this time to follow the school year calendar for the program budget cycle.

5. Seattle Parks and Recreation Preschool Request for Qualifications (RFQ)

In a June 21, 2016 memo to Superintendent Jesús Aguirre, SPR Superintendent, accepted the SPR Out-of-School Time Office recommendation that SPR conduct a Preschool Request for Qualifications (RFQ) process to support the City of Seattle's Preschool Program Initiative. ARC is expected to remain the provider at existing Seattle Preschool Program: Pathway sites (2 community centers) and continue to offer preschool in the current half day model if a facility cannot be licensed.

Due to the State of Washington licensing requirements, SPR suggested in the memo that the preschool provider also be the provider of school-age care programming. Licensing states that preschool and school-age care programs operating in the same facility would be licensed under the "child care center" model, meaning one license holder for both preschool and school-age care. The memo states that 1) SPR would continue to be the license holder for ARC, 2) community-based organizations who are chosen through the RFQ would be the license holder, and 3) that at locations where space must be shared by both preschool and school-age care, a single provider is preferred. ARC would therefore potentially lose both the preschool and school-age care program at facilities opened as part of the RFQ process.

The RFQ process is slated to begin in September 2016 and may include up to 10 facilities for the 2017-18 school year, 7 of which already have preschool and/or school-age care. This is a significant threat to ARC's financial sustainability.

Options

1. Do Nothing

The board can decide to take no action at this time. This leaves us out of compliance with the Master Services Agreement, does not address the inherent institutionalized racism of ARC's fee for service model, and means ARC is at risk for losing school-age care as a line of business due to the preschool RFQ process. There would be no change in accounting practices.

2. Consolidate ARC Fund Balances Incrementally, Starting with Preschool, as of school year 2016

The board would vote to budget for the 2016-17 preschool program year as a system of the thirteen preschool programs instead of as a program within thirteen advisory councils. We could immediately start planning for improvements to the program to make ARC more competitive in the Fall 2016 SPR RFQ and the Seattle Preschool Program Request for Investment (RFI) processes. Program improvements include curriculum upgrades, teacher training, and pay increases for staff who meet qualifications outlined by the Seattle Preschool Program. Consolidating resources across the system will allow for these changes this fall.

Existing fund balances of impacted advisory councils would remain intact. All earned revenues from the preschool program would be retained for the program's use throughout the system. The existing accounting system would be used. Advisory councils would still be able to provide scholarships for participation in the preschool at their location, or any other location providing preschool that has a qualifying participant. Scholarships can be restricted to site location.

This still leaves us out of compliance with the Master Services Agreement and shows good faith that ARC is on a plan to accomplish this requirement in the next several years. Developing a timeline for the remainder of the system's consolidation will strengthen this option.

3. Consolidate ARC Fund Balances Incrementally, Starting with Preschool, as of January 2017

The same as Option 2 except it would occur on the fiscal calendar instead. While it would give the accounting department a bit more time to set up the calendar, there are no other measurable benefits to waiting until January. It will be harder to make system improvements to be more competitive in the Fall 2016 SPR RFQ and Seattle Preschool Program RFI processes if all advisory councils need to make individual investments.

4. Consolidate ARC Fund Balances Incrementally, Starting with Another Program

The 2015 revenue for the 19 school-age care programs was \$5,593,236, or 38% of ARC's revenue. The 2015 revenue for recreation was \$7,042,434 or 48% of ARC's revenue. Both programs have contributed greatly to their advisory councils' fund balance. Improving equity, especially within recreation programs, will need to rely on the fund balances to immediately improve community access and opportunity. It will be more controversial among advisory council members and partnership staff to accomplish this with these two larger programs.

Enrichment is a program within recreation. The main concern with consolidation is SPR staff buy in necessary to successfully launch these elementary school-based programs. The partnership added 10 new programs within the last 12 months. The historical connection between fund balance, budget control and perceived staff efficacy is well known within the partnership. Consolidating this program at this stage of development would likely cause more issues than it solves.

5. Consolidate ARC Fund Balances in January 2017

The ARC Board could consider consolidating all fund balances as of January 2017. This would position ARC as compliant with the Master Services Agreement and able to immediately act to address equitable service delivery across the system.

It is unlikely ARC would be able to set up the accounting system needed for this change in the next six months. It would not address positioning ARC to be more competitive in the Fall 2016 SPR RFQ and Seattle Preschool Program RFI processes.



MEMORANDUM

July 12, 2016

To: Jesús Aguirre, Seattle Parks and Recreation Superintendent
Christopher Williams, Seattle Parks and Recreation Deputy Superintendent

From: Bill Keller, Executive Director
Christina Arcidy, Deputy Director

RE: Seattle Parks and Recreation Preschool RFQ Process Implications

Requested Action

The Associated Recreation Council (ARC) is requesting Seattle Parks and Recreation (SPR) suspend the Preschool Request for Proposal process until the financial and programmatic unintended consequences related to co-locating two licensed programs can be determined and mitigated.

Background

In a June 21, 2016 memo to Superintendent Jesús Aguirre, SPR Superintendent, the SPR Out-of-School Time Office recommended that SPR conduct a Preschool Request for Qualifications (RFQ) process to support the City of Seattle's Preschool Program Initiative. The recommendation made and accepted by the Superintendent is for SPR to conduct a RFQ in order to accomplish the following:

- Diversify service providers within SPR facilities.
- Address displacement of preschool programs from Seattle Public School facilities.
- Align program liability with the program license holder (currently SPR holds the license for ARC programs).
- Access capital improvement resources which must be distributed based on a competitive RFQ process (ARC is not eligible as the current provider of programs at a location because we were created by City Ordinance).

The recommendation accepted by Superintendent Aguirre is for ARC to remain the provider at existing Seattle Preschool Program: Pathway sites (Bitter Lake and Meadowbrook) and continue to offer preschool in the current half day model if a facility cannot be licensed. ARC current offers preschools at the following 11 other locations: Alki, Ballard, Delridge, Discover Park, Green Lake, Hiawatha, Loyal Heights, Jefferson, Magnolia, Northgate, and Queen Anne. It represented 7% of ARC's business in 2015, or \$1,003,675.

ARC operates SPR-licensed school-age care (SAC) at 20 locations. During the 2015-16 school year, 13 were located in community centers and 7 were located in Seattle Public Schools. Washington State's Department of Early Learning (DEL) certifies (licenses) SPR's SAC program. To date, the SPR/ARC has not been allowed to co-locate the certified SAC program in the same facility as other certified or licensed

programs on even a temporary basis, such as during a community center closure when families still needed SAC.

SPR offers both preschool and SAC in the same rooms at the following locations: Alki, Ballard, Hiawatha, Magnolia, and Northgate.

In May 2016, SPR brought together staff from ARC, SPR, DEL, and the Department of Education and Early Learning (DEEL) to conduct a feasibility analysis SPR sites where licensed/certified preschool could be located. The following sites are considered high priority (start preschool 2016-2019) and have a SAC program: Alki, Ballard, Delridge, Jefferson, Northgate, Queen Anne, Rainier Beach, and South Park.

Seattle Public Schools is reclaiming classroom space for the purposes of reducing class sizes. Many providers, such as Launch, Creative Kids, etc., have been told they need to vacate their spaces by fall 2016 or 2017. In spring 2016, SPR entered into negotiations for a Launch-operated preschool program at Rainier Community Center. The SAC program is being moved from its currently licensed space to another space in the building. Launch expects to be licensed by DEL for this location by September 2016.

Key Policy Issues

1. ARC and SPR Master Services Agreement

Per the Master Services Agreement, the City nor ARC can transfer liability solely to the other party. Instead, there is a mutual indemnification clause enjoining the two parties with respect to, any and all losses, damages, liabilities, claims, judgments, settlements, fines, costs, and expenses of every nature whatsoever. ARC maintains comprehensive general liability insurance covering claims for injuries arising out of any negligent act or omission of ARC or of any of its employees, agents, or subcontractors, with \$1,000,000 combined single limits.

2. Co-locating Preschool and School-Age Care Providers

SPR/ARC has not been allowed to co-locate the certified SAC program in the same facility as other certified or licensed programs on even a temporary basis, such as during a community center closure when families still needed SAC. Choosing community-based organizations besides ARC will result in ARC’s SAC programs closing at the eight DEEL high priority locations (Alki, Ballard, Delridge, Jefferson, Northgate, Queen Anne, Rainier Beach, and South Park) and needing to be included in the RFQ process.

The assumption is that preschools needing to vacate Seattle Public Schools spaces would compete in the SPR RFQ process.

3. Reducing ARC Programs Results in SPR Budget Cut

If preschool and SAC program providers cannot co-locate and SPR chooses other community-based organizations as the providers, there will be a budget cut to SPR. In 2015, the eight DEEL high priority locations (Alki, Ballard, Delridge, Jefferson, Northgate, Queen Anne, Rainier Beach, and South Park) SAC programs alone accounted for \$491,936 in fees ARC pays to SPR, including \$82,116 in PAR fees, \$132,415 in Geo Tier fee for SPR staff, and \$31,437 in scholarships. These eight SAC programs had a net gain of \$155,871 which was used to deliver otherwise unsustainable recreation programming.

Revenue:	\$2,054,917
Expense:	
Personnel:	\$ 1,171,370
G&A:	\$ 229,685
PAR Fee	\$ 82,116
GEO Fee	\$ 132,415
Scholarship Fee	\$ 31,437
ARC Overhead	\$ 252,023
Total Expense	\$1,899,046
Gain/(Loss)	\$ 155,871