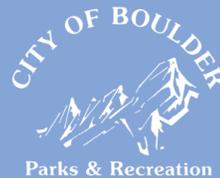


APPENDIX E

City of Boulder Parks and Recreation

# Program, Service and Facility Viability Assessment

March 2009



## BACKGROUND

In April 2008, a key recommendation of the City Manager’s Workgroup on Recreation Financing was that city of Boulder Parks and Recreation staff (staff) gain a better understanding of and formalize the costs associated with operating recreation programs, services and facilities. Staff defined recreation costs, determined the total cost of recreation operations, and analyzed resultant revenues to understand how much of the total cost of each program is currently recovered through user fees.

## OBJECTIVE

Staff completed a financial analysis to determine the total costs of operating the department’s recreation programs, services and facilities. Based on revenues earned from fees, cost recovery rates were calculated and subsidy amounts were recognized. This data is intended to support the discussions and decision-making that will occur in the Recreation Program and Facilities Plan process.

**Table 1 - 2008-2009 Recreation Program and Facilities Plan - Process and Schedule**

Task	Nov	Dec	Jan	Feb	March	April	May	June	July	August	Sept	Oct	Nov
<b>INVENTORY/NEEDS ASSESSMENT</b>													
Project start-up, schedule, process	Consultant led												
Begin survey instrument design			Consultant led										
Finalize survey and mail				City Staff led, consultant assistance	City Staff led, consultant assistance								
Research city-wide programs		City Staff led, consultant assistance	City Staff led, consultant assistance	City Staff led, consultant assistance									
Demographics/ Trends analysis		City Staff led, consultant assistance	City Staff led, consultant assistance	City Staff led, consultant assistance									
Internal/External SWOT analysis			City Staff led, consultant assistance	City Staff led, consultant assistance									
Prepare program viability report			City Staff led, consultant assistance										
Public open house #1 - input						Consultant led							
<b>ANALYSIS</b>													
Receive survey results/analyze							City Staff led, consultant assistance	City Staff led, consultant assistance	City Staff led, consultant assistance				
Gap analysis								City Staff led, consultant assistance	City Staff led, consultant assistance				
Financial analysis - revenues			City Staff led, consultant assistance										
Funding Options							City Staff led, consultant assistance	City Staff led, consultant assistance	City Staff led, consultant assistance				
PRAB meeting or study session				Study Session		Study Session		Study Session			Study Session		City Staff led, consultant assistance
Decision-making matrix								City Staff led, consultant assistance	City Staff led, consultant assistance				
Council Study Session									City Staff led, consultant assistance				
<b>SYNTHESIS</b>													
Recommendations								City Staff led, consultant assistance	City Staff led, consultant assistance	City Staff led, consultant assistance			
Public open house # 2 - recomm.											City Staff led, consultant assistance		
Council WIP					Finance		Needs Assess.						
Draft Plan										City Staff led, consultant assistance	City Staff led, consultant assistance		
Final Plan												City Staff led, consultant assistance	City Staff led, consultant assistance

Legend:  
 City Staff led, consultant assistance  
 Consultant led



## PROCESS AND ANALYSIS

Staff created a technical framework to analyze the viability of city-provided programs, services and facilities, acknowledging that all recreation costs are not accounted for in the Recreation Activity Fund (RAF). The City Manager's Office (CMO), city Finance staff and Parks and Recreation staff provided input on how to structure the technical analysis to ensure the desired outcome was achieved – identifying the total costs of recreation operations. The CMO supported the approach and the need to determine the true costs of providing recreation services, which will be the basis for the department's fee-setting methodology.

Staff researched industry and municipal standards to define indirect and direct program, service and facility costs and revenue sources as the basis of its analysis.

### City of Boulder Recreation Activity Fund (RAF) Cost Definitions and Assumptions

- 1. Indirect costs:** Overhead personnel and non-personnel expenses associated with the day-to-day operation of the Recreation Division. These costs are incurred daily and include:
  - Administration (Recreation Superintendent, CLASS System Manager, Recreation Administrative Specialists)
  - Marketing and promotions (Media Specialist, recreation brochures, camp guides, program advertisement and promotions)

*Note: Department and city overhead (e.g., P&R Director, Business and Finance, Human Resources, City Attorney's Office, City Manager's Office, Risk Management, and Information Technology) are not included in RAF indirect costs.*
- 2. Direct facility costs:** Total of all direct personnel and non-personnel expenses associated with the operation and maintenance of the city's recreation facilities (North, South and East Boulder Recreation Centers, Flatirons Golf Course, Flatirons Event Center, Scott Carpenter and Spruce outdoor pools, Boulder Reservoir, Aquatics Operations, 80% of Aquatics Administration (facility-related: 60% to indoor pools, 20% to outdoor pools) and sports fields). A portion of facility costs are incorporated into fees paid by users. These costs are incurred daily and include:
  - Recreation Center administration and supervision (Center Administrator and Supervisors, Customer Service Team members)
  - Registration staff
  - Facility drop-in (classes, lap swimming, weight room), childcare and climbing wall-related oversight and instruction
  - Maintenance and office supplies
  - Utilities and water fees
  - Financial and custodial services

*Note: Indoor aquatics operations are included as part of the respective recreation center.*



3. **Direct program/service costs:** Personnel and non-personnel expenses specific to a city-managed recreation program and 20% of Aquatics Administration (programs and lessons). These costs are incurred solely when a program is provided and include instructor salaries and program-specific supplies required for participation. There are both fixed and variable direct costs.
- A. **Fixed direct program/service costs:** Costs that remain unchanged and must be paid when the course is offered or service is provided, regardless of the number of participants. These costs are incurred only during hours of operation and include:
- program administration
  - class/program supervision
  - program expenses (includes mileage/business travel, training, professional certifications, cell phone, some program-specific materials, equipment, uniforms and advertising)
- B. **Variable direct program/service costs:** Expenses that are relative to the program scope and size. The costs adjust based on program participation or demand. These costs are expended as needed and include:
- instructors
  - referees/umpires
  - lifeguards
  - some program specific material (includes items such as camp shirts individual pottery supplies)
- C. **Program facility costs:** Facility costs that exist solely for programs. These facilities are programmed, not rented. These costs are incurred daily and include utilities and custodial services associated with the Iris Studio, Salberg, and the Pottery Lab. These costs are incorporated into fees paid by users.
4. **Program/service/facility revenues:** Total amount of money received by the department and accounted for within the RAF paid by customers for fees for services provided or goods sold including:
- program registration
  - membership (includes sale of annual passes, punch cards, drop-in fees)
  - point of sale items (e.g., locks, swim diapers, fruit bars)
5. **Non-operating revenues:** Funding received from sources other than user fees or goods purchased for resale that supplement the RAF to subsidize recreation operations. Sources include:
- Funding transfers from other city funds (including the General Fund, Worker's Compensation Fund and Transportation Fund)
  - Monies from grants, donations and fundraising
  - Interest income



Throughout the process, input was provided by staff and consultants to ensure there was reason and consistency in how the service costs were being calculated. Actual 2007 and 2008 expenses and revenues accounted for in the RAF were taken from the Boulder Finance System and categorized by program/service and facility definition. The overhead expenses associated with the day-to-day operations of the recreation division were amassed, then allocated to each program, service and facility area proportionate to the total direct cost. For example, aquatics programs and lessons accounted for 1.8% of all program costs in the RAF – in turn receiving 1.8% of the total indirect costs. Based on the output, the total cost of recreation operations funded in the RAF was established.

Next, revenues earned from user fees were compared to the costs to offer services. Cost recovery rates were calculated by program, service and facility, and subsidy amounts were recognized. Unallocated revenue/subsidy is utilized to offset the programs, services and facilities that do not recover 100% of their expenses. An expense and revenue summary/baseline was established (see Tables 2 and 3) and service trends/comparisons between 2007 and 2008 can be assessed (See Figures 1 and 2). This information will be useful in decision-making throughout the development of the Recreation Program and Facility Plan, as well as understanding annual program performance.



Table 2 - Recreation Activity Fund Revenue and Expense Summary - 2007 Programs and Facilities

Programs	Prgm/Service Revenue	Non-Operating Revenue	Direct Prgm Cost	% RAF	Indirect Cost	2007 TOTAL Prgm Cost	2007 Recovery Rate
Aquatics - Programs and Lessons	\$ 228,507		\$ 225,262	2.52%	\$ 18,723	\$ 243,985	93.66%
Dance	\$ 302,641		\$ 365,310	4.08%	\$ 30,363	\$ 395,673	76.49%
EXPAND	\$ 83,605	\$ 144,463	\$ 607,895	6.79%	\$ 50,526	\$ 658,421	12.70%
Fitness	\$ 41,973		\$ 109,122	1.22%	\$ 9,070	\$ 118,192	35.51%
Gymnastics	\$ 683,741		\$ 678,189	7.58%	\$ 56,368	\$ 734,557	93.08%
Mind & Body (Yoga)	\$ 194,694		\$ 202,433	2.26%	\$ 16,825	\$ 219,258	88.80%
Pilates	\$ 105,857		\$ 144,512	1.62%	\$ 12,011	\$ 156,523	67.63%
Pottery	\$ 162,636		\$ 236,451	2.64%	\$ 19,653	\$ 256,104	63.50%
Reservoir - Programs	\$ 26,553		\$ 29,426	0.33%	\$ 2,446	\$ 31,872	83.31%
Special Interest	\$ 93,035		\$ 83,857	0.94%	\$ 6,970	\$ 90,827	102.43%
Sports	\$ 1,155,634		\$ 760,199	8.50%	\$ 63,185	\$ 823,384	140.35%
Weight Training	\$ 133,885		\$ 171,852	1.92%	\$ 14,284	\$ 186,136	71.93%
Youth Services Initiative		\$ 9,291	\$ 190,328	2.13%	\$ 15,819	\$ 206,147	0.00%
Programs Subtotals	\$ 3,212,761	\$ 153,754	\$ 3,804,836		\$ 316,243	\$ 4,121,079	71.49%
Facilities	Facility Revenue	Non-Operating Revenue	Direct Facility Cost	% RAF	Indirect Cost	2007 TOTAL Facility Cost	2007 Recovery Rate
Aquatics - Outdoor Pools	\$ 330,646		\$ 251,548	2.81%	\$ 20,908	\$ 272,456	121.36%
East Boulder Recreation Center	\$ 729,506		\$ 999,539	11.17%	\$ 83,078	\$ 1,082,617	67.38%
Flatirons Golf Course	\$ 1,589,709		\$ 1,306,049	14.60%	\$ 108,554	\$ 1,414,603	112.38%
North Boulder Recreation Center	\$ 1,000,059		\$ 1,152,754	12.89%	\$ 95,812	\$ 1,248,566	80.10%
Reservoir - Facility	\$ 738,366		\$ 511,802	5.72%	\$ 42,539	\$ 554,341	133.20%
South Boulder Recreation Center	\$ 309,398		\$ 477,935	5.34%	\$ 39,724	\$ 517,659	59.77%
Sportfields	\$ 219,193		\$ 441,892	4.94%	\$ 36,728	\$ 478,620	45.80%
Facilities Subtotal	\$ 4,916,877	\$ 0	\$ 5,141,519	\$ 1	\$ 427,343	\$ 5,568,862	88.57%
Unallocated Revenue/Subsidy		\$ 2,232,717					
<b>RAF TOTAL</b>	<b>\$ 8,129,638</b>	<b>\$ 2,386,471</b>	<b>\$ 8,946,355</b>	<b>\$ 1</b>	<b>\$ 743,586</b>	<b>\$ 9,689,941</b>	<b>77.47%</b>

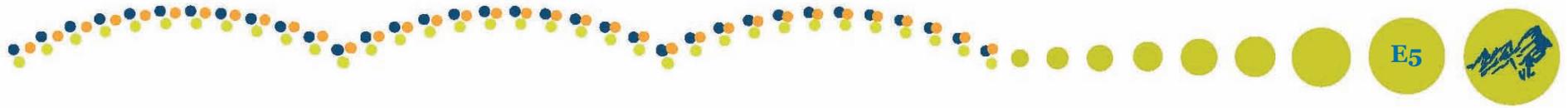


Table 3 - Recreation Activity Fund Revenue and Expense Summary - 2008 Programs and Facilities

Programs	Prgm/Service Revenue	Non-Operating Revenue	Direct Prgm Cost	% RAF	Indirect Cost	2008 TOTAL Prgm Cost	2008 Recovery Rate
Aquatics - Programs and Lessons	\$ 234,134		\$ 172,577	1.80%	\$ 12,238	\$ 184,815	126.69%
Dance	\$ 338,891		\$ 401,440	4.18%	\$ 28,467	\$ 429,907	78.83%
EXPAND	\$ 77,702	\$ 170,818	\$ 600,412	6.25%	\$ 42,577	\$ 642,989	12.08%
Fitness	\$ 66,143		\$ 109,293	1.14%	\$ 7,750	\$ 117,043	56.51%
Gymnastics	\$ 716,057		\$ 662,045	6.90%	\$ 46,947	\$ 708,992	101.00%
Mind & Body (Yoga)	\$ 192,185		\$ 219,002	2.28%	\$ 15,530	\$ 234,532	81.94%
Pilates	\$ 107,236		\$ 159,697	1.66%	\$ 11,325	\$ 171,022	62.70%
Pottery	\$ 196,476		\$ 287,888	3.00%	\$ 20,415	\$ 308,303	63.73%
Reservoir - Programs	\$ 72,773		\$ 53,304	0.56%	\$ 3,780	\$ 57,084	127.48%
Special Interest	\$ 110,285		\$ 75,438	0.79%	\$ 5,349	\$ 80,787	136.51%
Sports	\$ 1,259,003		\$ 781,337	8.14%	\$ 55,407	\$ 836,744	150.46%
Weight Training	\$ 171,590		\$ 184,331	1.92%	\$ 13,071	\$ 197,402	86.92%
Youth Services Initiative	\$ 0	\$ 8,146	\$ 250,157	2.61%	\$ 17,739	\$ 267,896	0.00%
<b>Programs Subtotals</b>	<b>\$ 3,542,475</b>	<b>\$ 178,964</b>	<b>\$ 3,956,921</b>		<b>\$ 280,595</b>	<b>\$ 4,237,516</b>	<b>83.45%</b>
Facilities	Facility Revenue	Non-Operating Revenue	Direct Facility Cost	% RAF	Indirect Cost	2008 TOTAL Facility Cost	2008 Recovery Rate
Aquatics - Outdoor Pools	\$ 299,857		\$ 270,013	2.81%	\$ 19,147	\$ 289,160	103.70%
East Boulder Recreation Center	\$ 720,495		\$ 1,095,210	11.41%	\$ 77,664	\$ 1,172,874	61.43%
Flatirons Golf Course	\$ 1,572,297		\$ 1,358,070	14.15%	\$ 96,304	\$ 1,454,374	108.11%
North Boulder Recreation Center	\$ 1,006,759		\$ 1,274,131	13.27%	\$ 90,352	\$ 1,364,483	73.78%
Reservoir - Facility	\$ 737,095		\$ 639,547	6.66%	\$ 45,352	\$ 684,899	107.62%
South Boulder Recreation Center	\$ 344,380		\$ 562,946	5.86%	\$ 39,920	\$ 602,866	57.12%
Sportfields	\$ 265,646		\$ 443,268	4.62%	\$ 31,433	\$ 474,701	55.96%
<b>Facilities Subtotal</b>	<b>\$ 4,946,529</b>	<b>\$ 0</b>	<b>\$ 5,643,185</b>	<b>1</b>	<b>\$ 400,172</b>	<b>\$ 6,043,357</b>	<b>81.10%</b>
<b>Unallocated Revenue/Subsidy</b>		<b>\$ 2,003,347</b>					
<b>RAF TOTAL</b>	<b>\$ 8,489,004</b>	<b>\$ 2,182,311</b>	<b>\$ 9,600,106</b>	<b>158.78%</b>	<b>\$ 680,767</b>	<b>\$ 10,280,873</b>	<b>82.63%</b>



Figure 1 - Recreation Programs - 2007/2008 Revenues and Expenses

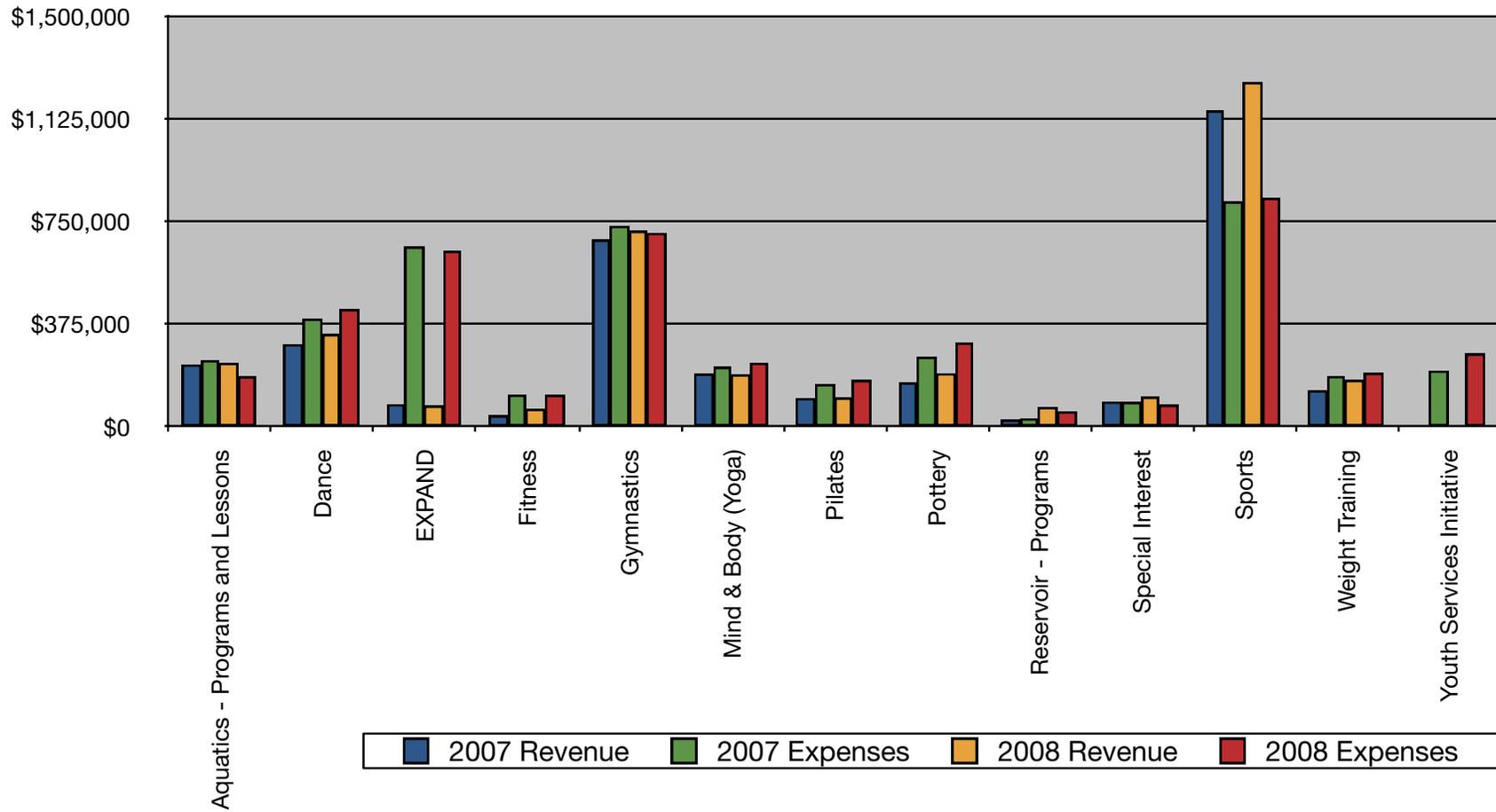
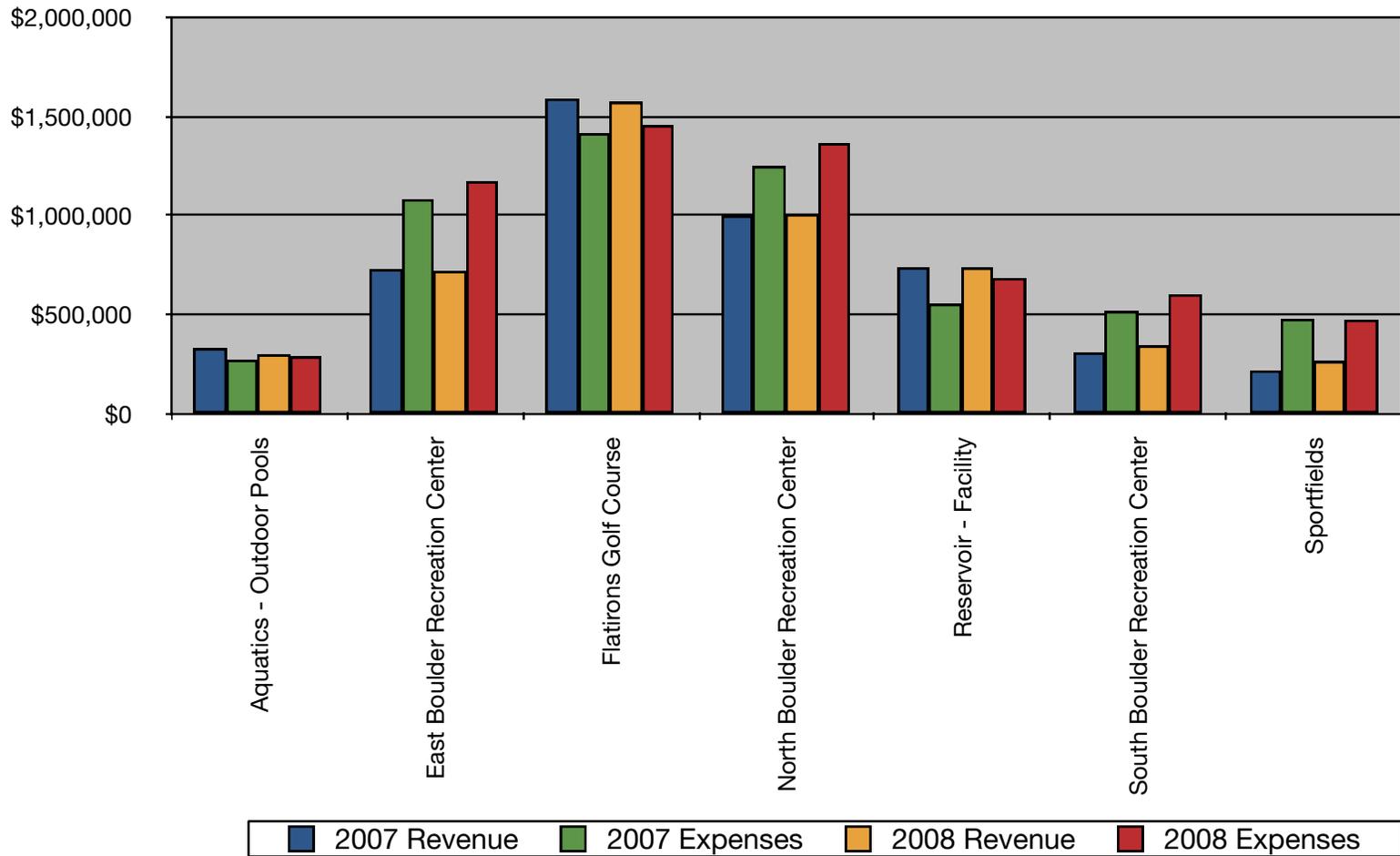


Figure 2 - Recreation Facilities - 2007/2008 Revenues and Expenses



## FINDINGS

The following findings are intended to highlight changes that need to occur, such as improved data capture or identifying policy or discussion items for the Recreation Program and Facilities Plan process.

### General

As staff worked through the analysis, strategic findings were realized and opportunities for improvement in accounting were evident. Staff recognized the following information:

- All recreation costs are not accounted for in the Recreation Activity Fund (RAF).
- There are inconsistencies in the accounting of programs, services and facilities within the RAF. Staff will continue to evaluate and establish appropriate accounting and administrative changes to reflect the categories of recreation offerings provided to improve accuracy over time.
- The RAF indirect costs (overhead) accounted for in the fund are approximately 9% of recreation operating expenses. For comparison, the city of Boulder's indirect costs (cost allocation) are approximately 4% of its total operations. Staff will continue to evaluate administrative efficiencies.

### Additional Recreation Costs

The RAF was established in 2001 as a special revenue fund to provide flexibility in financing for recreation operations. Ideally, a specific funding source would provide stability to recreation programs and minimize the disruption of services during periods of revenue volatility. However, not all recreation-related operating costs are accounted for in the RAF, including the costs shown in Table 4 and any capital costs for facilities. Capital funding for investment in the existing recreation infrastructure is not sufficient or accounted for in the

**Table 4 - Non-RAF Funded Recreation Costs**

<b>Non-RAF Funded Recreation Costs</b>			
<b>Type</b>	<b>Service</b>	<b>Amount (2008)</b>	<b>Funding Source</b>
<b>Direct</b>	Portion of Pleasantview and Stazio Sports Complexes operations and maintenance	\$179,500	.15 Cent Sales Tax Fund
	Computer and phone costs for recreation staff	\$95,850	General Fund
	Sports Turf Manager	\$91,850	.25 Cent Sales Tax Fund
	Recreation Operations Assistant	\$77,260	General Fund
	CLASS Registration System Technical Manager	\$76,900	.25 Cent Sales Tax Fund
	General maintenance including snow removal, mowing and trash removal for recreation facilities	\$45,500	General Fund
<b>Indirect</b>	Department indirect for Director, Business and Finance, portion of Marketing and Administrative Services (50% is directed to each department division)	\$281,000	General Fund and .25 Cent Sales Tax Fund
	City indirect/cost allocation for city services including City Manager's Office, City Attorney's Office, Risk Management, Human Resources, Finance and Information Technology	\$74,440	General Fund
	Recreation brochure printing and distribution (three brochures)	\$59,085	General Fund and .25 Cent Sales Tax Fund
<b>TOTAL</b>		<b>\$981,385</b>	



RAF. Other funding sources (.15 Cent Sales Tax, .25 Cent Sales Tax, Lottery and Permanent Parks and Recreation Funds) contribute to department's capital budget. However, funding is not adequately planned or available for major maintenance, to replace existing recreation facilities when their lifecycle expires, or to develop new facilities within the current funding sources.

***A policy consideration to be addressed during the Recreation Program and Facilities Plan process is whether or not to accommodate capital investment or capital maintenance in the RAF in the future.***

### **Subsidization**

In addition to the recreation costs not included in the RAF, the fund is subsidized by other city funds (General Fund, Worker's Compensation and Transportation) to support basic services that do not recover costs through user fees. The calculation for the General Fund subsidy was based on the differential between revenues and expenses in 2000 and is increased annually based on a CPI for personnel and non-personnel expenses. Historically, the annual subsidies from the Worker's Compensation and Transportation funds have been stable.

Services within the RAF recover variable amounts of expenses through user fees. "Profitable" programs and facilities (e.g., sports and Flatirons Golf Course) are classified as those that earn more money in user fees than the cost to provide the service. Since all recreation services are funded within the RAF, there are programs and services that subsidize others that recover less than 100% of the costs to provide the service.

***A policy consideration to be addressed in the Recreation Program and Facilities Plan process is the "enterprise" status of the RAF. Should the General Fund transfer be recalculated so the fund accounts for actual recreation costs without subsidization? Considering the costs included in the RAF, what is an appropriate and/or required fund balance (percentage or value) to maintain?***



## Accounting

All expenses and resultant revenues are categorized and accounted for in unique cost centers/program areas using Organization Cost Accounts (OCAs). Staff identified inconsistencies in service categories (e.g., youth and adult, private and public instruction, competitive and recreational) and opportunities to improve the department's internal accounting. Examples include the following:

- Youth and adult programs are accounted for separately in some program areas (e.g., sports, pottery, mind and body)
- Private lessons and recreation instruction are accounted for separately in some program areas (e.g., personal weight training, swim lessons)
- Competitive and non-competitive programs are accounted for separately in some program areas (e.g. Flyers Gymnastics Team)
- Ongoing rental contracts (e.g. Boulder Swimming, Boulder Rowing) are accounted for in Facilities Operations, as groups are facility users
- City-sponsored programs (e.g. Barracudas Youth Swim Team) are accounted for in Programs OCAs, as programs are managed by city staff

***A policy consideration to be addressed during the Recreation Program and Facilities Plan process is whether to account for service categories consistently across program areas.***

## RECOMMENDATIONS

Based on the findings, staff is making immediate internal administrative changes and has identified potential business processes changes that require approval from the city Finance office. It is anticipated that these changes will provide more transparency and accuracy in the costs utilized for operational decision-making. Additionally, calculating the total cost of service will create an understanding of the actual subsidies required to provide all service offerings and how to allocate the subsidies.

## Accounting Improvements

Staff will update its accounting to ensure consistency in the costs accounted for in OCAs. If there are variable service offerings within a program area (e.g. youth/adult, personal/public instruction, competitive/non-competitive), OCAs will be established to ensure the true costs are accounted for separately. This will



provide insight for staff and the community when determining the recreational services to be provided based on financial sustainability.

Currently, recreation programs that are offered as a community service (that have no or minimal cost recovery expectations) are subsidized via the General Fund and accounted for in the RAF. Although the programs (such as YSI and EXPAND) are recreational, the financial support required to provide these programs is significant and would be more appropriately accounted for in the General Fund where cost recovery expectations are minimal. Since current program, service and facility costs and subsidy allocations have been calculated, there is an opportunity to account for services with comparable recovery rates in the same fund. As a result, an achievable percentage recovery target for the RAF and each program, service and facility area could be established.

### **Capturing the Total Cost of Recreation**

In an effort to align accounting with the Parks and Recreation Master Plan recommendation to restructure the RAF and include the total costs of recreation operations in the RAF, the costs not currently accounted for in the RAF (see Table 4) should be moved to the fund. Because costs are funded via various sources, reallocations may be limited or restricted. Another consideration in consolidating recreation costs into one funding source is the amount of additional costs that the RAF is able to “afford.” At the beginning of 2009, the RAF fund balance was healthy, approximately \$1.7M. Seemingly, moving costs would be opportune; however, due to the current economic volatility, it is recommended that reallocating the costs into the RAF should be phased. The direct recreation costs identified could be moved in 2009. If it is determined that the RAF is sustainable, the indirect recreation costs could then be reallocated in 2010.

### **NEXT STEPS**

Ultimately, the findings from this assessment should assist decision-making about the recreation programs, services and facilities the city of Boulder should offer, and those it should not, which is a major focus of a Recreation Program and Facilities Plan. Additionally, staff should use this information as it establishes an updated pricing methodology that incorporates the community’s values and needs, also to be assessed through the Recreation Program and Facilities Plan process.

