

**CITY OF BOULDER  
PARKS AND RECREATION ADVISORY BOARD**

**MEETING DATE: January 27, 2014**

City of Boulder Parks and Recreation Department (BPRD)  
Financial Strategy Study Session

**PRESENTERS:**

Jeff Dillon, Director, Parks and Recreation  
Alice Guthrie, Recreation Superintendent  
Abbie Poniatowski, Senior Business Manager  
Alison Rhodes, Recreation Facility Manager  
Dean Rummel, Recreation Supervisor  
Skyler Beck, Recreation Facility Manager  
Kady Doelling, Financial Analyst  
Matt Hickey, Senior Operations Analyst

**EXECUTIVE SUMMARY**

To ensure department resources are focused on community priorities, the department will implement the financial sustainability policies of the Boulder Parks and Recreation Department Master Plan (master plan).

- BPRD shall determine the actual cost of an activity or service using a standardized method that emphasizes consistency of data inputs and analysis methods.
- BPRD shall categorize services using a recreation priority index based on the organizational mission, target population served, service outcomes, contributions to the Boulder sustainability framework, partnership value and redundancy with services provided by others in the community in order to guide offerings.
- BPRD shall establish cost recovery rates and associated pricing. Fees shall be based on the recreation priority index, community versus individual benefit, cost to provide services and the prevailing market rate for comparable services.

In doing so, PRAB's guidance and direction on what programs, services and facilities are subsidized and at what rates is critical. The implementation will build on the foundation established in several community driven planning processes, and the PRAB will benefit from a review of the 2010 Recreation Program and Facilities Plan (RPFPP) and master plan prior to this study session (links provided below).

## AGENDA

Review of Financial Trends and Policy Framework	5:00-6:00
Discussion of Business Definitions	6:30-7:00

This study session will provide a review the department's financial status (see Chapter 7 of the master plan), including current budget and funding sources. Staff will then highlight the existing framework that will also guide the implementation of the master plan financial policies.

The framework for this implementation is driven by both parks and recreation best practices and policy as well as city-wide goals. [The 2010 Blue Ribbon Commission](#) report explained that "For the city to make informed fiscal decisions, it needs to understand fully all costs associated with providing a service... Without knowing the full cost, some programs may appear to be self funded through user fees, but are actually funded (subsidized) by tax revenues. The city must ensure that any subsidies are fully identified and are used deliberately rather than as a result of not understanding the full cost" (page 15).

[The 2007 City Manager's Work Group on Recreation Financing](#) provides a detailed exploration of recreation financing, and provided recommendations that included the development of the [2010 Recreation Program and Facilities Plan](#) (RPFPP). In the RPFPP planning process, the community again supported the standardization of pricing methodology. The RPFPP also established a program classification system to assist in the application of subsidies (see Attachment A-RPFPP Chapter Five-Funding Policies and Pricing).

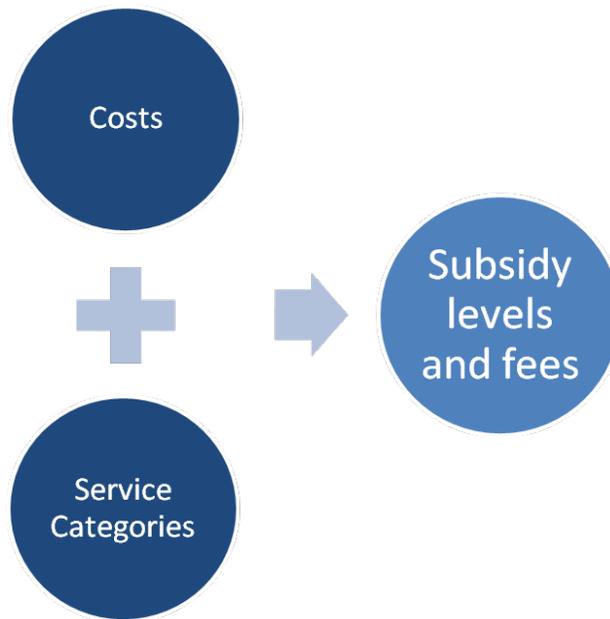
Finally, a key achievement of the recent master planning process is the alignment of the community behind the financial strategy necessary for the sustainability of the department. Again the idea of understanding of and standard application of costs to programs is emphasized, and goals for cost recovery are set (see Attachment B-Master Plan Recreation Programs and Services Alternatives).

This study session will focus on understanding the foundation for the 2014 financial strategy. This includes the cost definitions and applications, and PRAB is asked to provide input:

- Should operating expenses only be considered (capital excluded) in cost allocation?
- Cost definitions – Are they accurate and acceptable?
  - Indirect expenses – Should they be applied proportionate to facility or program budgets? If not, how?
  - Facility costs – How should they be allocated to programs?

## NEXT STEPS

The goal of the February study session is to understand the relationship between community priorities and financial sustainability and will include a discussion of service categories. The implementation of service categorization will allow the department to apply available subsidies to the programs that the community would like to support and establish fees that will recover the appropriate amount of costs. The expected outcomes include support for the implementation of fee standardization in pilot areas and to provide input on the community outreach plan.



## ATTACHMENTS

Attachment A	RFPF Chapter Five-Funding Policies and Pricing
Attachment B	Master Plan Recreation Programs and Services Alternatives
Attachment C	BPRD Draft Cost Definitions



The Recreation Program and Facilities Plan (RPPF) includes strategies that will help the Department make decisions and develop a diverse and sustainable portfolio of programs and facilities. Employing the funding strategy outlined in this plan will allow the Department to make changes in programs, services, and facilities while improving financial strength.

### The Department's Current Financial Challenges

The current economic climate has caused a reduction in the City's sales and use tax revenue collections, which resulted in a decline in the tax-supported funding to subsidize recreation services. The Department must establish a decision-making framework to ensure it operates strategically and effectively. The Department is utilizing the following strategies to address financial challenges:

- Continue work to define service costs and set fees that cover expenses.
- Determine which recreation services should be provided by the City and which should be

provided by others.

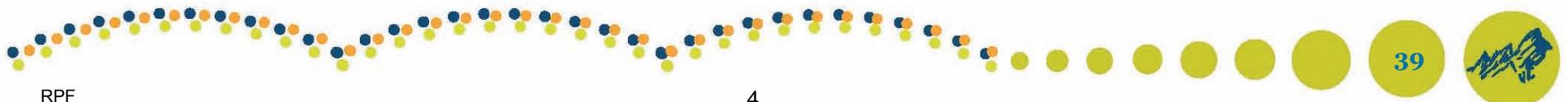
- Determine how best to provide services with available resources, including partnerships and/or contracting services.
- Allocate resources (funding and staffing) appropriately within program areas.

### Recreation Funding

The Recreation Division's budget is composed of funding from the following five sources: the Recreation Activity Fund, the City's General Fund, the .15 Cent Sales Tax Fund, the .25 Cent Sales Tax Fund, and the Permanent Parks and Recreation Fund (see pages 5 and 6). The Lottery Fund, a sixth source of funding for the Department, does not provide funds for the Recreation Division.

### The Recreation Activity Fund

The Recreation Activity Fund (RAF), the main source of funding for the Recreation Division, was created in 2001 as a special revenue fund to provide flexibility in financing recreation operations. The RAF provides an accounting mechanism for



### Sales Tax Sunsets and Reductions

The City's General Fund and the .15 Cent and .25 Cent sales tax funds contribute to the Department's funding.

With declining sales tax revenues, the tax supported funding for recreation services will continue to be reduced.

#### The .15 Cent Sales Tax will sunset or expire in 2012.

Boulder voters in November 2009 approved putting the sales tax on the November 2010 ballot.

This extension of the tax could be allocated for general parks and recreation maintenance, not for Pleasant View and Gerald Stazio sport complexes, which currently are earmarked for funding from the tax.

The Department faces significant challenges in maintaining current maintenance levels at those athletic complexes without secured funds.

#### The .25 Cent Sales Tax will sunset in 2015.

The ballot language will be revised based on the Department's needs and will be proposed to voters as early as the 2012 ballot.

fund balance that can be used to offset declining revenues or weather impacts at facilities. As a quasi-enterprise fund, its intent is to retain revenues in excess of expenses from recreation activities and reinvest them in recreation services. Prior to the creation of the RAF, all excess revenues from recreation programs and facilities fees were added to the City's General Fund. The majority of recreation funding (approximately 66 percent) is derived from user fees, which are accounted for through the RAF. Since inception, the RAF receives tax-supported funding to subsidize programs and services that are not self-sufficient (do not cover the operating costs to provide the service) through fees charged. The RAF is currently reliant on the subsidy since the Department's community outreach recreation programs do not charge cost recovery fees for services and funding for those areas is accounted for within the RAF.

Before 2002, the number and range of recreation program offerings grew as the Department experienced increases in demands for program services. From 2002 through 2008, recreation programming continued to be reactive but the Department was beginning to respond to budget reductions and declining tax-supported funding. As a result of the decline in sales tax revenues, in 2004, the long-term sustainability of the RAF became a concern. This was due to the Department's increasing operating expenses, the limited ability to adjust fees and projected RAF deficits.

### Recreation Fund Management Challenges

Given the current economic climate and the likelihood that it will be ongoing, the Department needs to become more entrepreneurial and needs greater flexibility in managing funds. Additional revenue collected in the same calendar year could be used to enhance operations if the Department was on target to meet budget goals. An increase in the Council-approved budget that utilizes such revenues is one idea. The current mechanism that provides for additional appropriations to the base budget is permitted twice annually; but this may not provide enough flexibility for the Department (i.e. fundraising efforts for the Pottery program could be accepted and allocated only by means of an adjustment to the base budget).

Another challenge the Department experiences is how funding is managed. Revenues collected through fees for all recreation programs and facilities, contribute to the RAF fund balance. All revenue earned throughout the year goes to the RAF "bottom line," similar to a balance sheet. Revenues generated by programs and facilities are not reinvested directly into the budgets of the recreation activities or areas in which they were earned. For example, the golf course fees provide revenue in excess of the amount required to operate golf services, but these additional revenues are not specifically reinvested in golf course improvements.



### Recreation Cost and Revenue Definitions

The Department currently utilizes the following definitions when calculating and analyzing recreation costs.

1. **Program costs** include personnel and non-personnel expenses specific to a recreation program. These costs are incurred only when a program is provided and include instructor salaries and program-specific supplies required for participation. There are both fixed and variable program costs.
  - a. **Program direct costs** include expenses that are relative to the program scope and size. The costs adjust according to program participation or demand and are expended as needed for instructors, referees/umpires, lifeguards and some program specific material (items such as camp shirts and individual pottery supplies).
  - b. **Program facility costs** are costs for facilities that include program space. There are two types:
    - i. exist solely for specific programs at Iris Studio, Salberg Studio, and the Pottery Lab. These facilities are programmed and not rented. The costs are incurred daily, including utilities and custodial services, and are incorporated into fees paid by program users.
    - ii. exist for mixed use. These facilities are programmed, open for general public use and rented (e.g., recreation centers). The costs are associated with facility operations (see 2. Facility direct costs). A portion of these costs are incorporated into fees paid by program users.
  - c. **Program indirect costs** include 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 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).
2. **Facility direct costs** include the 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, Scott Carpenter and Spruce outdoor pools, Boulder Reservoir, aquatics operations, and sports fields). A portion of facility costs is incorporated into fees paid by users. These costs are incurred daily and include: recreation center administration and supervision (administrator and supervisors, customer service team members); registration staff; facility drop-in, childcare, and climbing wall-related oversight and instruction; maintenance and office supplies; utilities and water fees; and financial and custodial services. *Note: Indoor aquatics operations are included as part of the respective recreation center.*
3. **Recreation indirect costs** include the 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 registration system management, recreation administrative specialists); marketing and promotions (media specialist, recreation guides, camp guides, program advertisement and promotions). *Note: Department and City overhead expenses, such as Parks and Recreation Director, Business and Finance, Human Resources, City Attorney's Office, Risk Management, Information Technology, and capital expenses are not included in RAF indirect costs.*
4. **Program, service, and facility revenues** include the total amount of money received by the Department and accounted for within the RAF which are paid by users for: program registration; admissions (sale of annual passes, punch cards, drop-in fees); and point of sale items (locks, fruit bars).
5. **Nonoperating revenues** include 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; and interest income.



### Pricing Methods

The Department is changing its pricing method for recreation fees to **service-based pricing**, in which fees are set based on the full or defined cost to provide the service.

Other kinds of pricing, which the Department also considered but found inappropriate, include the following:

**Marginal:** Fees are set at the point of the minimal cost of providing a single unit of service (also known as cost per person).

**Average:** Fees are set to include the full cost of providing the service.

**Differential:** Fees are set at different levels for different types of use.

**Traditional:** Fees are set based on historical precedence.

**Comparative:** Fees are set to match the fees of other agencies.

**Equity:** Fees are set at a point that is fair, reasonable, and equitable for all users.

As part of the City's budget process, revenue and expense projections are allocated annually as the year begins. Revenue generated in 2009 is applied to the fund balance and is not available in the current year. Once the annual budget is set, there is no mechanism to access additional revenue generated from fees during the same year. The fund balance cannot be used unless funds are appropriated through the City budget process. This can restrict program flexibility. The Department has limited flexibility to make adjustments that respond to emerging needs and trends.

### Recreation Cost Analysis

In April 2008, a key recommendation of the City Manager's Workgroup on Recreation Financing was that the Department 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 revenues in order to understand how much of the total cost of each program was recovered through user fees. The Department completed a financial analysis to determine the total costs of operating recreation programs, services and facilities. Based on revenues earned from fees, cost recovery rates were calculated and subsidy amounts were identified. (See Program, Service, and Facility Viability Assessment, Appendix E.) Determining the total cost of operations is important because it will provide the foundation for the Department's fee-setting methodology.

Program, Service, and Facility Viability Assessment included findings as follows:

- The total cost of providing recreation services includes the direct and indirect expenses currently accounted for in the RAF;
- a baseline for the current costs accounted for in the RAF includes direct program and facilities expenses;
- recreation indirect expenses that are proportional to each program area and facility, based on total direct costs; and
- revenue earned that is associated with programs and facilities.

The RAF does not account for the total cost of recreation. Recreation-related expenses and indirect expenses not accounted for in the RAF are not factored into the total cost of recreation. These expenses include city cost-allocation, capital, and Department overhead.

### Current Pricing and Fee Types

Historically, fees and charges have been assessed on individual users or groups that receive a benefit from specific recreation services. Corresponding to the City's budget guidelines, these recreation services have been assigned partial, full, or enterprise cost recovery expectations. The pricing method for recreation services was set using the market and historical precedence to match fees of other agencies in the region, or set fees at a point that was considered fair, reasonable, and equitable for users.



Currently, fees and charges are evaluated on an annual basis by recreation staff. The Department adjusts program fees on the basis of the current costs of providing programs and competitive market rates, and these fees are approved by recreation management staff. The Department offers City residents discounted rates for classes and facility entrance fees to acknowledge that residents already contribute to recreation facilities through property taxes. The Department offers additional discounts through multi-use punch cards, and for residents with low incomes, people with disabilities, and members of the Boulder Chamber and employer groups within the city.

Facility entrance fees for the recreation centers, the Boulder Reservoir, outdoor pools, and Flatirons Golf Course are adjusted as part of the City budget ordinance approval process. These fees are charged according to the Department's age-based pricing method. Because these fees are identified in the city's municipal code, City Council must approve the increase. Allowable increases are generally minimal (less than 10%), adjusted in an effort to account for the increased cost to do business. However, this can limit the Department's ability to raise fees in order to cover true expenses or to meet market rate.

## Pricing Goals

The Department is anticipating that tax-supported funding for the RAF will be reduced and potentially eliminated. Through strategic program delivery, sustainable fund management, and

leveraging resources through partnerships, the Department can meet these reductions effectively. Strategies for achieving this goal are as follows:

- Use a standard pricing method to calculate and analyze the total cost of service consistently for all recreation programs, services, and facilities.
- Apply an appropriate amount of indirect costs to user fees.
- Reinvest in recreation infrastructure, following industry standards, by establishing a facility investment fee in the pricing structure.
- Assign percentage of City cost allocations and capital expenses that would need to be included in the total cost of recreation, beyond operating costs.

## Service-based Pricing

The purpose of using a consistent pricing method is to ensure the creation of a sustainable fee structure that reduces the Department's reliance on tax-supported funding; therefore, the Department is implementing service-based pricing for recreation programs and facilities. Fees, including codified fees, will be established based on the defined cost to provide recreation services and the market rate, when appropriate. Using this method will ensure that all programs and facilities are priced appropriately and fees are set at the point at which each program and facility will recover the identified cost recovery amount. Understanding and defining the cost to provide the

## Program Classifications

The Department is implementing a classification system to define skill and experience levels, simplify the registration process for programs and individual classes, and help determine program and class fees. This model is based on the university course-level model, which ranges from beginning to advanced or elite. Level 100 classes would receive tax-supported funding, if available, and Levels 200, 300, and 400 classes would receive no subsidy. The categories include:

- Level 100:** introductory or basic level class or program targeted to any age group.
- Level 200:** advanced beginner/intermediate class or program targeted to any age group, with a prerequisite class or equivalent related experience.
- Level 300:** advanced, elite, or competitive class or program for youth.
- Level 400:** advanced, elite, or competitive class or program for adults, or a private class or program for any age.



### Support for Programs with Community Benefits

Some important questions for recreation funding are:

- Should recreation program and facility users be the only ones paying for programs that provide community-wide benefits?
- Should the community as a whole support these programs?

Recreation programs that focus on life and safety, community health, and disabled and low-income participants, including the Youth Services Initiative (YSI), EXPAND inclusion, learn-to and drop-in swim, and First Aid and Cardiopulmonary Resuscitation (CPR), are offered as a community service and have little or no opportunities to cover their costs.

service will assist the Department in establishing a cost recovery goal for all recreation services. The Department plans on phasing the implementation of service-based pricing beginning with programs and rentals and eventually applying it to admission fees. Ultimately, subsidy that is applied to admission fees will be eliminated.

The service-based pricing process will include the following steps:

1. Establish a baseline through identifying direct costs for each program / class.
2. Calculate the following overhead (indirect) costs:
  - a. all program indirect and recreation indirect costs;
  - b. all recreation facility costs for operations and maintenance;
  - c. all Department-related indirect costs;
  - d. all City cost-allocated costs (including the City Manager's Office, City Attorney's Office, Finance Department, Information Technology, and Human Resources); and
  - e. all capital-related costs, including major maintenance, replacement of existing recreation facilities, and development of new facilities.
3. Determine and apply an appropriate amount of indirect cost that will be consistently passed onto user through fees.
4. Identify and understand the City cost-allocated costs and all capital-related costs, but do not pass these on if they cannot be accommodated by the market.

5. Determine what the market will bear by conducting market research on fees and assessing participation levels and customer satisfaction.

### Subsidization

The Department's recreation programs are funded within the RAF Recreation funds, which are derived from two general sources: user fees for services and subsidy from other City funds (General Fund, Transportation and Workers Comp). Programs that generate more revenue than is required to cover expense also help subsidize the recreation programs and facilities that do not cover 100 percent of their costs. Programs and services within the RAF recover varying amounts of expenses through user fees. The average cost-recovery rate for recreation operations was 82 percent in 2008.

Although offerings for programs and services have expanded, the tax-supported funding has remained fairly constant. This poses a challenge, as the costs of providing services have increased, causing a gap between revenues earned from fees and the expenses required to provide services. To respond to this gap, the Department has established a new process for applying subsidies based on program classifications, which includes the following steps:

1. Identify the program level based on the newly established criteria.
2. Apply a subsidy, if available, to social core programs only.



## Cost Recovery Types

Recreation Services	Cost Types						
	Program Direct*	Program Indirect	Facility	Recreation Indirect	Department Indirect	City Cost-Allocation	Capital
<b>Programs</b> (Classes, Teams, Leagues, Camps)	X	X	X	X	Δ	Δ	Δ
<b>Contracted Recreation Services</b>	O	O	X	X	Δ	Δ	Δ
<b>Facilities</b> (Admissions)	O	O	X	X	Δ	Δ	Δ
<b>Rentals</b>	O	O	X	X	Δ	Δ	Δ

\* Cost baseline  
 X = City of Boulder Parks and Recreation Costs  
 O = Costs paid by user but collected by outside program provider  
 Δ = Costs not presently recovered via user fees

## Cost Recovery Goals

Program	Cost Recovery Goal
<b>Social Core Programs</b>	
YSI	0% cost recovery (100% tax supported)
Inclusion	0% cost recovery (100% tax supported)
EXPAND Specialized Programs	75%-100% cost recovery
Learn-to-Swim Programs	90%-100% cost recovery
Certification Programs	90%- 100% cost recovery
Level 100 "Learn-to" Programs	90%- 100% cost recovery
<b>Desirable Programs</b>	
Level 200-300 Programs	100% cost recovery <i>(achieving 100% plus cost recovery would move the program from "Desirable" into the Business Core category)</i>
<b>Business Core Programs</b>	
Level 400 programs, summer camps, private lessons, tournaments	Cost recovery exceeds 100%

\* Cost recovery goals relate to the program direct, program indirect, facility, and recreation indirect costs, but will likely not recover department-related indirect costs, City cost-allocation, and capital costs.



## Cost Recovery

Cost recovery is the portion of a program, service, or facility expense that is paid by user fees. Recreation programs and facilities are funded through a combination of admission fees and City revenue sources, including sales and property taxes. A cost-recovery policy was developed to ensure that subsidies, if any, are directed primarily to social core programs (see Appendix D). This policy provides a systematic framework for determining appropriate fee structures and evaluating programs that do not meet designated minimum cost-recovery goals.

Direct costs are identified as specific identifiable expenses associated with providing recreation services. On a fund level, this includes all expenses from the Recreation Activity Fund, partially supplemented by the Department's other funds. Indirect costs are identified as Department and City overhead expenses.

## Cost Recovery Expectations

The Department completed an analysis based on operating costs to determine current cost-recovery rates for programs and services. Fees will be determined based on the identified costs that are required to be recovered and cost recovery goals. The charts on page 45 identify general cost recovery types and goals according to whether they are programs, contracted recreation services, facilities, or rentals and include program direct, program indirect, facility, and recreation indirect

costs. A potential future phase will analyze department-related indirect costs, City cost-allocation, and capital costs.

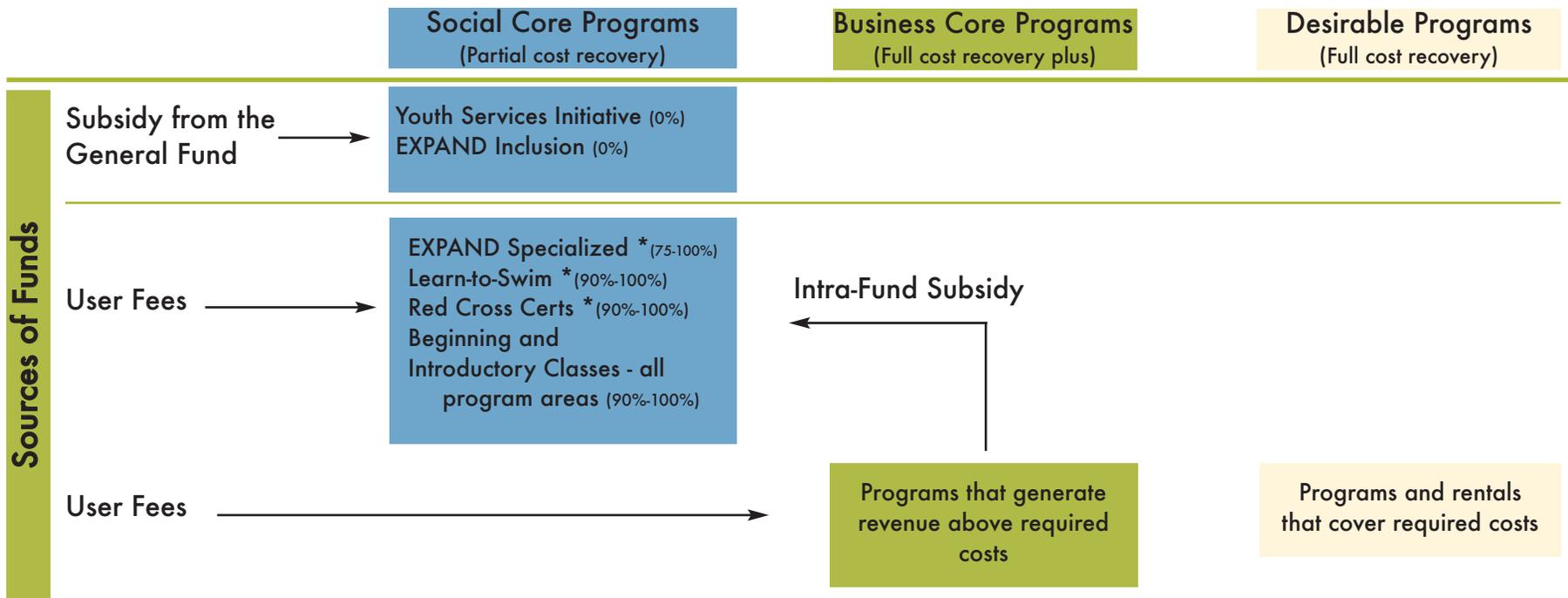
## How Recreation Programs and Services Should Be Funded

Based on the RFPF guiding principles, three program types have been identified and will be offered by the City: social core, business core, and desirable programs. Funding for these programs comes from tax-supported funding, user fees, or other programs.

**Social core or "public good" programs** have partial cost-recovery expectations of between zero and 90 percent, and have user fees that are supplemented by tax supported funding or RAF subsidy. These programs generally are traditional municipal youth programs, programs that target disadvantaged populations, or activities that enhance the health, safety, and livability of the community and therefore require the removal of a cost barrier for optimum participation. There are two types of social core programs: 1) life and safety and community health programs that engage youth and the community at large in healthy activities and help achieve lifelong healthy habits; and 2) programs that serve disadvantaged populations.

**Business core programs** have full cost recovery expectations and beyond, or cost recovery expect-

## Recreation Programs and Services Funding - Phase 1



Social Core programs (Public Good programs) are generally accepted as traditional municipal youth programs, programs that target disadvantaged populations, or activities that enhance the health, safety and livability of the community and therefore require the removal of a cost barrier for optimum participation. There are two types of social core programs: Life/Safety and Community Health Programs (Programs that engage the youth and the community at-large in healthful activities and help achieve lifelong habits) and Programs targeted to Disadvantaged Populations (Programs that serve disadvantaged populations).

\* EXPAND Specialized, Learn-to-swim and Red Cross Certifications are supplemented with user fees for these programs.

Business core programs provide revenue support for the Department's entire portfolio of recreation services. Business core fees are generally set at market rate and are required to cover identified direct and indirect (overhead) costs.

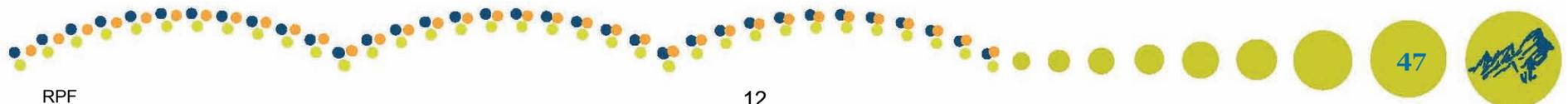
Desirable programs are programs that meet priority community interests. These programs must meet the following criteria in order to be offered through the City of Boulder:

Required:

1. Program covers required direct and indirect costs (instructor fees and class materials and administrative costs).
2. Physical program space is available.
3. Program is in demand - classes often fill up and may have a waiting list.
4. Program serves a large population or identified need of the community.

Desired:

1. Program might provide a partnership opportunity to leverage city resources.
2. Program maximizes facility use - might use a space that would otherwise be empty.
3. Program contributes to serving a diverse cross-section of the community.



tations of more than 100 percent. They meet the needs of the market, at market rate pricing. These programs generate revenue in addition to expenses, which can be used to offset the costs of social core programs and thus lower the tax-supported funding.

**Desirable programs** have full (100 percent) cost-recovery expectations and respond to expressed priority community needs.

The chart on page 47 illustrates this “Phase 1” funding scenario. Currently, many desirable pro-

grams do not meet the new cost recovery goal. During the next one to two years, the department will implement actions such as reducing costs, raising fees and /or seeking outside funding for facility or program partnerships in order to meet the cost-recovery and expense-reduction goals. Ultimately, all Department programs will fall into either the social core or business core categories. The additional revenues generated by the majority of the programs will be channeled into subsidies for social core programs and into a capital fund that will fund renovation, replacement and capital construction.

#### City of Boulder Cost Recovery Philosophy

In 1994, City staff completed the Comprehensive Fee Study, which formalized general expectations for fee setting and City cost recovery. Cost recovery categories were defined as follows and are adopted annually as part of the budget process.

##### No Cost Recovery

- Tax dollars should support essential City services that are available to and benefit everyone in the community.

##### Partial

- User fees may recover less than full cost for those services for which the City desires to manage demand.
- User fees may recover only partial cost from those individuals who cannot pay full cost due to economic hardship.
- A user fee may not recover full cost if competitive market conditions make a full cost fee undesirable.

##### Full

- User fees should recover the full cost of services which benefit specific groups or individuals.
- User fees should recover the full cost for those services provided to persons who generate the needs for those services.

##### Enterprise

- User fees could recover more than the full cost for a service in order to subsidize other services provided to the community.



## Fee Adjustments

Implementing a consistent pricing method will impact the current fees for recreation services. Adjusting fees for programs and facilities will involve considerations such as:

- analyzing all the impacts of the new pricing method and cost recovery goals;
- considering a phased approach to modify fees (fees may increase or decrease depending on

the current market rate);

- communicating the rationale for fee changes to users and the community; and
- adjusting fees as needed to implement consistent pricing while maintaining market-supported fees. If the market bears the fee, the Department would price the program accordingly, regardless of the cost to provide the program.



## Recommendations Chapter 5

### Fund Management

- 1 Establish a target RAF fund balance.
- 2 Achieve recreation industry standard of 40 to 65% of total operating budget for standard personnel costs. (See also Chapter 3.)
- 3 Determine which programs and services are most appropriately funded by taxes and which should be supported by user fees.
- 4 Apply available subsidy to social core programs.
- 5 Establish an “opportunity fund” that allows new programs to be piloted without impacting or reducing the funding for existing programs. (See also Chapter 3.)
- 6 Develop controls and criteria that permit flexibility in using revenues earned for services provided in the same fiscal year.

### Pricing and Fees

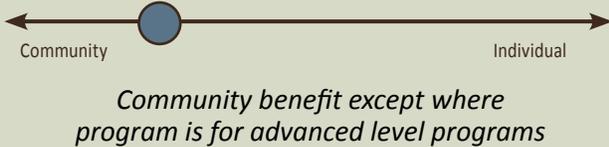
- 7 Revise list of codified fees to include facility entry fees only, as facilities were constructed with taxpayer monies.
- 8 Once the appropriate rate is charged, develop an annual fee adjustment mechanism or market rate adjustment to accommodate the cost of providing service.
- 9 Explore a “facility investment fee” that is incorporated into the pricing structure so there is an opportunity to reinvest in recreation facilities.
- 10 Maximize facility use through peak/off-peak pricing and agreements (e.g., inter-governmental agreements, memorandums-of-understanding) with other providers of recreation services and facilities.
- 11 Standardize and simplify admission categories, fees, discounts and rentals.
- 12 Create a “youth” category by combining child and teen to serve children ages three to eighteen.
- 13 Revise “adult” category to include participants ages nineteen to sixty-one.
- 14 Revise “senior” category to include 62 and over, aligning with minimum Social Security Administration age requirement.



## Recreation Programs and Services Alternatives

The path for developing a system plan for recreation programs and services is less clear than for physical assets like parks and community centers. The effort relies on three factors that are not easily quantified: cost recovery goals that translate into fees and charges for services; market rates for fees and charges; and new program service initiatives based on the community needs assessment. These three factors are the major considerations under the Boulder funding scenarios that forecast alternative choices.

In considering the LOS for recreation programs and services, BPRD business practices that establish fee and charge rates for direct and indirect costs for services, as presented below, within the context of market willingness to pay rate and financial assistance for community members who cannot afford user fees. In addition, program and service business practices for recreation program life cycle management should also consider outcomes; alignment with mission and high-quality programming; annual reviews; and duplication of services.

			
<b>YOUTH PROGRAMMING</b>			
	<b>Fiscally Constrained</b>	<b>Action</b>	<b>Vision</b>
Fee Scenario	<ul style="list-style-type: none"> <li>Direct costs plus all indirect costs recovered through fees, donations and tax subsidies</li> </ul>	<ul style="list-style-type: none"> <li>Direct costs and partial indirect costs recovered through increased alternative funding</li> </ul>	<ul style="list-style-type: none"> <li>Dedicated tax and alternative funding for highest community-good youth programming</li> </ul>
Program Scenario	<ul style="list-style-type: none"> <li>Introductory level youth programming and outdoor programming emphasizing health and wellness is expanded to meet community values by eliminating or brokering current BPRD programs</li> <li>Advanced level programming (including competitive and travel programs) service models are evaluated for partnership delivery</li> </ul>	<ul style="list-style-type: none"> <li>Outdoor recreation and introductory youth programming is expanded by 10% and available at multiple locations</li> </ul>	<ul style="list-style-type: none"> <li>Introductory level youth programming is expanded by 20%</li> <li>Community desired programs in outdoor, emphasizing health, and other areas will be expanded by 20%</li> </ul>

<p style="text-align: center;">  </p> <p style="text-align: center;"><i>Individual benefit except where program is for target population or aged</i></p>			
	Fiscally Constrained	Action	Vision
Fee Scenario	<ul style="list-style-type: none"> <li>• Direct costs plus all indirect costs recovered through fees</li> </ul>	<ul style="list-style-type: none"> <li>• Direct costs plus all indirect costs recovered through fees/ alternative funding</li> </ul>	<ul style="list-style-type: none"> <li>• Direct cost plus all indirect costs recovered through fees/ alternative funding</li> </ul>
Program Scenario	<ul style="list-style-type: none"> <li>• Current adult programming is evaluated to ensure alignment with community values</li> </ul>	<ul style="list-style-type: none"> <li>• Alternative funding sources allows BPRD to offer new trending programming</li> </ul>	<ul style="list-style-type: none"> <li>• Adult programming is robust and aligns with community priorities</li> </ul>

<p style="text-align: center;">  </p> <p style="text-align: center;"><i>Community benefit with strong fundraising potential through fees/charges, sponsors and donors</i></p>			
	Fiscally Constrained	Action	Vision
Fee Scenario	<ul style="list-style-type: none"> <li>• Direct cost plus partial indirect cost recovered through fees, donations and partnerships</li> </ul>	<ul style="list-style-type: none"> <li>• Direct costs recovered through alternative funding with minimal fees to participants</li> </ul>	<ul style="list-style-type: none"> <li>• Direct costs recovered through alternative funding with no event fee</li> </ul>
Program Scenario	<ul style="list-style-type: none"> <li>• Limited department special events focused on health and wellness, youth and community building</li> </ul>	<ul style="list-style-type: none"> <li>• Five additional focused special events are provided or facilitated by the department</li> </ul>	<ul style="list-style-type: none"> <li>• Ten additional focused special events are provided or facilitated by the department</li> </ul>

<div style="display: flex; justify-content: space-between; align-items: center;"> <div style="flex: 1;"> <h2>(TARGETED) COMMUNITY PROGRAMMING</h2> </div> <div style="flex: 1; text-align: center;">  <p>Community <span style="margin-left: 150px;">Individual</span></p> </div> </div> <p style="text-align: center;"><i>Targeted toward the special populations of the community with few, if any, opportunities to charge fees. Tax and donor supported</i></p>			
	Fiscally Constrained	Action	Vision
Fee Scenario	<ul style="list-style-type: none"> <li>• Direct cost plus partial indirect cost recovered through fees and donations</li> <li>• Tax revenue is allocated for specific target populations with specific outcomes</li> </ul>	<ul style="list-style-type: none"> <li>• Alternative funding to subsidize direct costs</li> </ul>	<ul style="list-style-type: none"> <li>• Costs are 100% funded through alternative sources for low-income and special population programs</li> </ul>
Program Scenario	<ul style="list-style-type: none"> <li>• Partnerships are leveraged with BPRD resources to enhance service to low-income and underserved groups</li> <li>• Redundancies are reduced to ensure effective use of resources</li> </ul>	<ul style="list-style-type: none"> <li>• The Financial Assistance Program for low-income participants is enhanced to facilitate broader participation</li> </ul>	<ul style="list-style-type: none"> <li>• Participation rates by underserved groups and special populations are representative of community demographics</li> </ul>

**Boulder Parks and Recreation Department**  
**Cost Definitions**  
**1/21/14**

The Department currently utilizes the following definitions when calculating and analyzing costs.

**Capital costs** include expenses for major maintenance and enhancing public infrastructure by correcting current facility deficiencies and constructing new service-delivery infrastructure

**Operating costs** include expenses to provide community services. There are indirect and direct operating costs.

**Indirect costs** are those that department incurs regardless of whether or not it provides a specific service to the community. Overhead personnel and non-personnel expenses associated with the day-to-day operation of the department may include:

- Administration
- Business Services
- Internal Support Services (Human Resources, Information Technology, City Attorney, Risk Management, Finance)
- Service Management/Coordination/Supervision

**Direct program costs** include the personnel and non-personnel expenses specific to a department program. These costs are incurred only when a program is provided and include instructor salaries and program-specific supplies required for participation. These costs adjust according to program participation or demand and are expended as needed

**Direct facility costs** include the personnel and non personnel expenses associated with the operation and maintenance of the City's parks and recreation facilities. These costs are incurred daily and include: staff; materials and supplies; financial, utilities and water fees; custodial services