TOPICAL REPORT:
FINANCIAL SUSTAINABILITY

Purpose of This Report

This Topical Report represents subject-specific research findings that will ultimately inform the content of the Parks and Recreation Master Plan. The information contained in this report does not necessarily constitute the final narrative that will be presented in the plan. After the findings of this report are reviewed and deemed to be accurate and sufficiently comprehensive, they will be fully synthesized with research from other topical areas as part of the Needs Assessment process. The final content of the Master Plan may reflect significant portions of this report but will not consist entirely of it. Table 1 depicts the progress of research and planning for this topical area.

Table 1: Topical Area Research Progress

Development Phase	Notes
✓ Research methodology approved	
✓ Preliminary research and analysis complete	
✓ Data gaps identified and remaining research assigned	
✓ All data obtained	Some data is incomplete but may not be collectible or cost effective to obtain. Instances of this are identified. In some cases, the lack of data may itself merit discussion in the Needs Assessment.
✓ Preliminary community plan integration review	
✓ Preliminary department leadership review	
✓ Technical (TAG) review	
✓ Board (PRAB) review	
✓ Department leadership review	Approved by KK (11/15)
☐ Topical Report research and analysis complete	
☐ Synthesis for needs assessment and community plan integration	

Introduction

This Topical Report, prepared in collaboration with BBC Research and Consulting, is part of the City of Boulder's 2012 Parks and Recreation Master Plan update process. It contains a review of recent department budget trends; provides information on current sources and uses of department funds; and includes a review of department cost-recovery practices in the context of broader citywide fiscal policy discussions. This Topical Report also contains a review of all recent plans and analyses that cover department cost-recovery philosophy and practices.

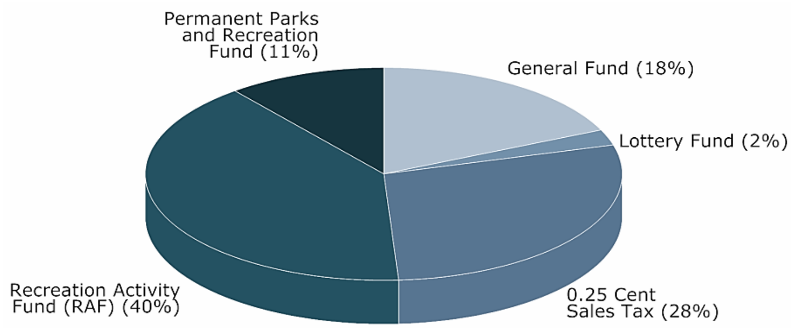
City of Boulder Parks and Recreation Department Budget

Current Department Operating Budget

The Boulder Parks and Recreation Department operates on a $24.2 million budget in 2012. There are five city funds that account for department revenue and support department operations and maintenance expenditure. These five funds and their contribution to the city's parks and recreation budget are presented in the following figure. A description of revenue sources and uses within each fund follows.

Figure 1.
Parks and Recreation Budget, City of Boulder, 2012

Source:
City of Boulder 2012 Budget.



Recreation Activity Fund (RAF)

The RAF was established to account for recreation user fees and to provide a source of funding to support recreation programs that do not cover all of their direct costs. Over 80% of RAF revenue is generated from recreation program and facility revenues, which include user fees. The remaining portion of RAF revenue comes from general fund transfers (about $1.6 million per year, 2010-2012) and external grants. The RAF provides funding for recreation operations, programs, and facilities. The RAF currently accounts for 30% of the department's total revenues, and nearly all operations expenditures (excluding capital) associated with recreation programs and facilities. About $9.7 million in revenue is budgeted in this fund in 2012.

0.25-Cent Sales Tax Fund

This special revenue fund was approved for renewal by voters in November of 2012 and is set to expire in 2035. The fund accounts for a 0.25 percent sales tax dedicated to the department to fund debt service on bonds issued to acquire park lands. Revenue from this fund is also used for parks, natural lands, ball field maintenance, park and recreation facility development, renovation and refurbishment and, a portion of department administration and planning (see Appendix A of the Asset Management topical report for additional information). About $6.9 million in revenue is budgeted in this fund in 2012.

General Fund

The general fund supports most of the city's basic governmental public services. Boulder's general fund is supported mainly through sales tax, property tax, fees and charges, intergovernmental revenue, and other revenue sources. In 2012, the parks and recreation department was allocated a total of approximately $6 million from the general fund. About $1.6 was allocated to the RAF, as discussed above. The remaining $4.4 million supports department-wide administration, urban forestry, and general park management and maintenance. Occasionally, separate annual general fund transfers are used for specific purposes, such as maintenance or development of specific facilities.

Permanent Parks and Recreation Fund (PPRF)

The PPRF is a capital improvement fund established to support the acquisition and development of city parks and recreation facilities. A 0.9-mill property tax is the main source of revenue in this fund. Development excise taxes also accrue in this fund as a secondary revenue source. The PPRF funds capital improvements, land acquisition, and park and recreation facility improvements. About $2.6 million in revenue is budgeted in this fund in 2012.

Lottery Fund

The city lottery fund is a special revenue fund that accounts for state conservation trust fund monies allocated to local governments based on population. State conservation trust fund monies are dedicated to parks, recreation, and open space site maintenance and capital improvements. The city receives about $800,000 on an annual basis from the state and allocates about $575,000 to the parks and recreation department.

Other Department Funds

There are three other department funds not shown in Figure 1: the capital development fund, the 2011 capital improvement fund, and the Boulder Junction improvement fund. All of these funds are capital improvement funds dedicated to specific capital improvements for parks and recreation facilities and land acquisitions in city growth areas.

The capital development fund accounts for citywide development impact fee collections allocated to growth-related parks and recreation facility development. About $10,000 in revenue is budgeted in this fund in 2012.

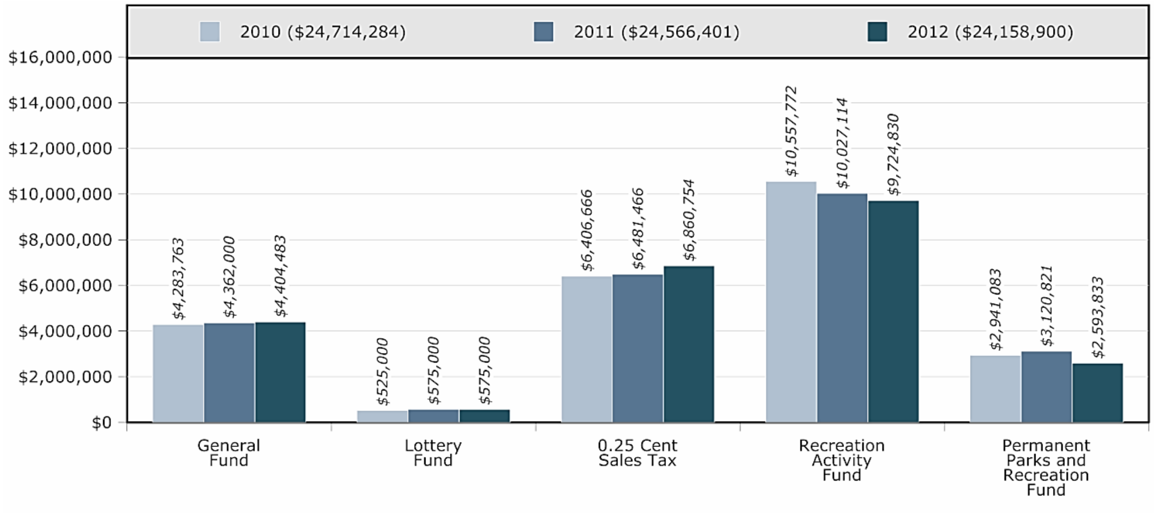
The 2011 capital improvement fund accounts for the department's portion of a citywide bond issuance to fund infrastructure improvements. About $8.3 million in revenue is budgeted in this fund in 2012.

The Boulder Junction improvement fund was established in 2012 to account for development excise tax and construction-use tax revenue allocated to fund park land and recreation facility acquisition and development in the Boulder Junction area. About $280,000 in revenue is budgeted in this fund in 2012.

Recent Revenue Trends

BBC compiled three years of department revenue data in five major funds to analyze budget trends. Data from the general fund, 0.25-cent sales tax fund, RAF, and PPRF were included. Department revenues have declined by about 2% in the last three years—a modest decline. Figure 3 shows department revenue trends.

Figure 2.
Parks and Recreation Department Funding, City of Boulder, 2010-2012



Note: RAF funding includes an annual general fund transfer; funding from the 0.15 cent sales tax fund (now expired) included in the general fund figures.

Source: City of Boulder.

RAF funding decreased by about $800,000, or 8%, in the last three years. This decline is a result of staff efficiencies and the transfer of maintenance expenses for some park facilities. Most RAF user fee revenue categories, including golf, aquatics, recreation programs, sports, and the reservoir have decreased between 2010 and 2012. Recreation center revenue *increased* between 2010 and 2012, but by only about $34,000. The general fund transfer to the RAF (about $1.6 million) remained relatively constant over the last three years. The department acknowledges that, over the long term, the city may potentially discontinue general fund support of the RAF.

PPRF revenue decreased by about $350,000, or 11%, between 2010 and 2012. However, there was a one-time sale of property that increased revenue in those years.

The department lacks long-term, stable revenue sources. The department anticipates that general fund support for the RAF could be reduced and potentially eliminated. The city has recently experienced lower PPRF contributions due to a decline in city assessed values. The PPRF is funded through a 0.9-mill property tax, a development excise tax, and donations—all of these revenue sources are sensitive to economic conditions. Declining revenues are not just a departmental problem, but a citywide challenge. The following sections describe department and city efforts to mitigate the recent decline in revenue from traditional property and sales tax sources.

Relevant Recent Plans and Analyses

In response to concern regarding declining citywide and departmental sales and property tax revenue, the Boulder Parks and Recreation Department has recently completed a number of studies regarding cost recovery and long-term revenue stability. The following sections compile and summarize recent cost-recovery analyses, document current department efforts to meet its stated cost-recovery goals, and provide recommendations to increase cost recovery.

As part of this analysis, BBC reviewed the following city documents:

- Parks and Recreation Master Plan (2006)
- Blue Ribbon Commission Report on Revenue Stabilization — Phase I (2008) and Phase II (2010)
- City Manager's Work Group on Recreation Financing (2008)
- Recreation Programs and Facilities Plan (RPFP) (2010)
- Boulder Valley Comprehensive Plan (2010)
- City of Boulder Budget Book (2012)

The documents above cover a broad range of topics and include city guiding documents for general land use, parks and recreation policy, citywide fiscal policy, recreation program cost-recovery policy, and general city budget documents. The following provides a brief summary of each document.

Parks and Recreation Master Plan (2006)

The Parks and Recreation Master Plan is the primary guiding document for the department. It was last updated in 2006. The master plan provides the overarching mission, vision, and goal statements for the department as well as recommendations on department funding practices, cost recovery, and operating efficiency. The 2006 master plan document presented a core services business model for the department that classified Boulder parks, facilities, and recreation programs into five categories and defined cost-recovery goals for each category. The department cost-recovery philosophy has since been subject to further study and refinement by a targeted working group convened by the city manager and the subsequent RPFP.

Blue Ribbon Commission on Revenue Stabilization Phase I (2008) and Phase II (2010)

In 2006, the Boulder city council appointed a blue ribbon commission (BRC I) to study citywide revenue policy issues in response to several years of revenue decline. The BRC I goal was to establish a more stable revenue generation system for the city that will fund public priorities for the next 20 years. The subsequent phase II study (BRC II) refines revenue stabilization recommendations of the BRC I study and provides a review of city expenditures to evaluate city expenditure efficiency. The priority-based budgeting system under which the city currently operates is a response to recommendations included in the BRC I and II studies. A more detailed discussion of citywide structural revenue and expenditure issues and their effect on the parks and recreation department is included in a subsequent section of this topical report.

City Manager's Work Group on Recreation Financing (2008)

The city manager appointed a citizen working group to make recommendations regarding department pricing and funding structure for recreation programs and facilities. In general, the work group focused its recommendations on program costing, cost-recovery policy, and department fund accounting. The work group provided suggestions to improve program pricing and costing transparency to ensure the financial stability of recreation programs. The study provided further evaluation and confirmation of the five-category cost-recovery framework outlined in the department core services business model included in the 2006 master plan document.

Recreation Programs and Facilities Plan (2010)

The RPFP provides guidance related to recreation program offerings and recreation facility management, construction, and reinvestment. Additionally, the RPFP provides a funding analysis and recommendations to ensure future recreation division financial stability. The RPFP also provides a revised three-category cost-recovery framework for recreation programs and facilities that the department currently operates under. The cost-recovery discussion in this topical report is based on the framework and goals stated in RPFP.

Boulder Valley Comprehensive Plan (2010)

The Boulder Valley Comprehensive Plan provides a statement of community goals and aspirations relating to future community development. This joint effort between the City of Boulder and Boulder County provides public policy guidance for transportation, utilities, land use, recreation, and housing. The plan sets forth the community core values that are embodied in the priority-based budgeting process employed by the city and parks and recreation department.

City of Boulder Budget Book (2012)

The city budget book provides an accounting of all city revenues and operating, maintenance, and capital expenditures. Pursuant to the recommendations in the BRC II study, the city adopted a priority-based budgeting system (PBB). PBB incorporates community goals and values stated in the Boulder Valley Comprehensive Plan. The budgeting process employs a scoring methodology that rates city programs and services against the stated community goals. PBB provides a tool to allocate funding, adding or eliminating city services to ensure the most efficient use of limited city financial resources.

The documents above provide current guidance for parks and recreation department funding and budgeting; recreation program and facility cost-recovery philosophy; and current department program and facility pricing.

Citywide Structural Funding Gap

The following provides a discussion of general city financial issues to frame the current parks and recreation cost-recovery policy.

The Problem

In 2006, the BRC I was convened to examine solutions for stabilizing the city's revenues and narrowing the gap between projected revenues and expenditures. The primary finding of the BRC I was that "growth in city revenues will not keep pace with anticipated inflationary costs for city services."[1] In fact, the BRC I report estimated that the city would face a $135 million annual funding gap by 2030 if voters failed to renew expiring sales and use taxes. The BRC I primary recommendations included diversifying and extending revenue streams, evaluating new sources of revenues, and ensuring the efficient and effective use of public funds.

1 Blue Ribbon Commission on Revenue Stabilization – Phase II.

BRC II examined citywide expenditures and identified opportunities for improved departmental and programmatic efficiencies. BRC II recommended that city service priorities be based on community goals and values, and that these priorities should drive the city's budgeting process. BRC II also recommended that the city and individual departments establish and monitor performance measures.

A Response

In response to the BRC II recommendation, the city implemented Priority Based Budgeting (PBB) as part of the 2011 budget process. The city continues to use PBB and defines it as "the iterative process of prioritizing city programs in terms of their influence on achieving defined 'results' which are the high level, overarching objectives that represent the priorities of City Council and the community."[2] In sum, PBB implements recommendations from the BRC, while ensuring that the city recognizes and adheres to the values outlined in its Boulder Valley Comprehensive Plan. PBB ensures that the city's values are retained if spending cuts are required.

Implementation of PBB is two-fold: follow best practices for allocating resources to ensure fiscal health and identify a prioritization scheme. In essence, the city evaluates its fiscal resources, and, if cuts are made, they are done in accordance with the city's prioritization scheme.

Fiscal Health

The city, in its PBB user guide, has identified five guiding principles to ensuring fiscal health:

- Spend within the city's means
- Establish and maintain reserves
- Understand variances
- Be transparent about the true cost of doing business
- Incorporate economic analysis and long-term planning into decision making

The directive to be transparent with business costs is important to individual departments. The directive recommends a more thorough and analytical allocation of overhead and administrative costs to programs to determine the real cost of program and service administration.

Prioritization

City offerings are ranked and prioritized based on two sets of criteria: (1) their ability to help the community achieve desired results and (2) basic program attributes. These criteria are presented in the figure below.

2 City of Boulder "2013 Annual Budget Priority Based Budgeting User's Guide."

Figure 3.
PBB Prioritization Criteria, City of Boulder, 2012
Source:
City of Boulder, PBB User Guide.

Community Results Goals	Basic Program Criteria
• Accessible and Connected Community	• Mandate to Provide Service
• Economically Vital Community	• Change in Demand for Service
• Environmentally Sustainable Community	• Reliance on City to Provide Service
• Healthy and Socially Thriving Community	• Self Sufficiency/Cost Recovery
• Safe Community	• Cost Avoidance/Increasing Efficiencies
• Good Governance	

Programs are then given a score based on their relevancy to these prioritization criteria. Each department evaluates their programs based on these criteria. In the event of revenue shortages or planned budget cuts, lower-ranking programs and services are generally cut before higher-ranking programs.

The PBB process has become an important tool not just for *citywide* budget decisions but also for direct *departmental* programmatic decision-making efforts. The department employs an adapted version of PBB when budgeting each year.

In response to the city's current financial situation, the aforementioned plans and analyses, and PBB directives, the department has become increasingly conscious of revenue generation and cost recovery through user fees. The following section describes the current state of department cost recovery and departmental progress toward its stated cost-recovery goals.

Parks and Recreation Cost Recovery

Given the uncertainty of the department's primary revenue sources, BPRD established a five-part strategy for achieving self-sustainability in the RPFP. The strategy included the following components:

- 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.
- Understand citywide cost allocations and capital expenses that would need to be included in the total cost of recreation, beyond operating costs.
- Pursue program and facility partnerships for the purpose of reducing expenses, increasing revenues, or providing additional recreation services at no cost to the city or the department.

The self-sustainability strategy described above forms the future direction of the department cost-recovery policy.

Policy Objectives

In 2009, the Boulder Parks and Recreation Department established a cost-recovery philosophy, which incorporates principles from the citywide PBB process, as it requires the department to prioritize its programs and identify acceptable levels of general tax support for each priority. The department's priority scheme includes three program types: social core, business core, and desirable programs.

Social core programs, or public good programs, include "traditional youth programs, programs that target community members with disabilities or low incomes, and activities that enhance the health, safety, and livability of the community."[3] Some of the more common social core programs offered by the department include learn-to-swim classes, introductory sports classes, Youth Services Initiative (YSI), and the Exciting Programs Adventure and New Dimensions (EXPAND) program. YSI supports children from low-income households by offering recreational and educational services; it collaborates with the local housing authority and the Family Resource Schools to identify program participants. EXPAND is an award-winning program that serves persons with disabilities with therapeutic recreational opportunities. All YSI and introductory/inclusion EXPAND social core programs are funded primarily with general tax support via the general fund.

Business core, or business sustainability, programs are comparable to private market offerings and are offered at market rates. These programs are expected to produce net revenue for the department. According to the RPFP, business core programs include golf programs, adult sports leagues, camps, and other various class offerings. Business core programs often produce revenue in excess of expenditure and, to an extent, subsidize social core programs.

Desirable programs meet community interests and desires. A desirable program must generate enough revenue to offset its direct and indirect program costs; space must be available to house the program; the program must be in high demand (e.g., classes fill, potential waitlists); and the program must serve a large population or an identified community need. The city looks more favorably on desirable programs if they provide an opportunity to partner with other organizations, if they use space that would otherwise be empty, and if they serve a variety of groups in the city.

3 City of Boulder Parks and Recreation Department's Recreation Programs and Facilities Plan.

Figure 4 summarizes the department's cost-recovery expectations for its three program categories.

Figure 4.
Cost Recovery Policy

Policy Category	Cost Recovery Goal
Social Core	
YSI	*0%*
EXPAND —Inclusion	*0%*
EXPAND —Specialized	*75-100%*
Level 100 Learn-to programs and certification courses	*90-100%*
Business Core	**> 100%**
Desirable	**100%**

Source: City of Boulder.

The department supports its social core programs with city general fund revenue and the net revenue from business core programs. The department supports full subsidies for YSI and EXPAND-Inclusion and smaller subsidies for other social core programs, such as EXPAND-Specialized and Learn-to programs. Business core and desirable programs are expected to operate on program revenues. Once the cost-recovery rate for desirable programs exceeds 100%, they are then considered business core programs.

The RPFP states that the future department goal is to increase cost recovery of desirable programs so that they will eventually be considered business core programs.[4] The department intends to achieve this goal by raising fees, reducing program costs, or seeking outside funding or partnerships.

Policy Performance

The department calculates cost recovery for programs and facilities separately. For programs, the department calculates the ratio of program user fees and non-operating revenue to direct program costs and recreation indirect costs to calculate cost recovery. For facilities, the department defines cost recovery as the ratio of facility admission fees and retail sales to direct facility costs.

Cost-Recovery Inputs – Programs

Programmatic revenues include direct fees users pay for program participation, as well as non-operating revenues, such as grants and donations. The department began including non-

4 RPFP, p. 48.

operating revenue in its cost-recovery analysis in 2011. This recently improved cost-recovery performance for some programs, such as EXPAND and YSI.

Program costs include direct and indirect costs. Direct costs include those associated with program administration, including staff salaries and any equipment or materials needed for the program. Some staff members may contribute time to multiple programs. Their costs are distributed among programs in proportion to the overall program budget. In other words, more costly programs would receive a higher proportion of staff costs than lower-cost programs. Indirect costs include administrative staff costs necessary for recreation division operations. These costs include division administration, marketing, and IT. Indirect costs are distributed among all programs based on the proportion they represent in the RAF. For example, in 2011, the aquatics program represented about 2% of the RAF budget; as such, 2% of indirect costs were charged to the aquatics program.

Cost-Recovery Inputs – Facilities

Facility revenues include the admission fees users pay for admission to city recreation facilities, e.g., recreation centers, pools, golf courses, and other facilities. Revenue from retail sales, room rentals, and locker rentals at recreation facilities are also included in the facility cost-recovery equation. Any grants or donations received by the department specifically for facilities would also be included if available. Facility costs include facility administration, registration, and supervision staff; facility supplies and materials; utilities; and janitorial services.

Department Cost-Recovery Analysis

The city conducts cost-recovery analysis by broad program area and by facility. Ideally, program cost-recovery analysis should be completed by policy category (i.e., social core, business core, desirable programs). However, the city does not categorize its programs as social core, business core, and desirable in its cost-recovery data. Tracking progress toward cost-recovery goals is difficult in the current system because there are different cost-recovery goals within each program area (e.g., there are both social core and business core aquatics programs). Currently there is no precise way to measure the cost-recovery performance of these programs by policy category. The Youth Services Initiative is the only program in the figure above that falls entirely within a policy category with a single cost-recovery goal (0%).

BBC's review of city cost-recovery policy documents did not reveal a stated cost-recovery goal specifically for department facilities. In practice, facility cost recovery is tied to the programs housed in each facility. Facility costs are mainly recovered through admission fees to facilities. Program fees include a portion of facility costs, according to the RPFP. Interviews with department staff indicated that this is not the current program pricing practice. It is unclear whether users of recreation programs housed in the recreation centers, such as yoga and other fitness classes, support facility cost recovery. Staff interviews indicated that certain facilities, such as the Iris Studio, Salberg Studio, and Pottery Lab, have few costs recovered in program user fees. These facilities house specific recreation programs and do not produce any separate admissions or rental revenue.

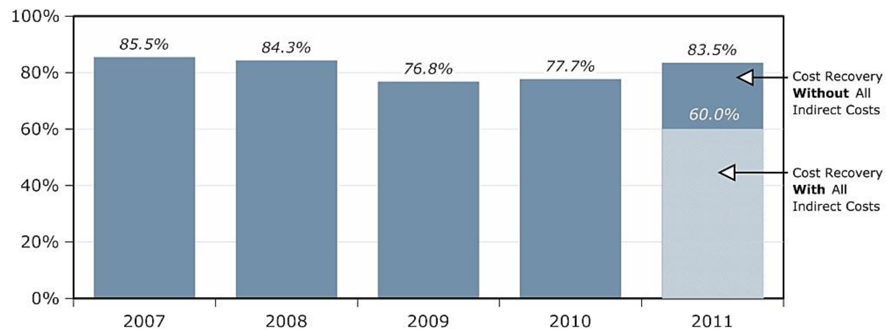
Current Cost Recovery

Figure 5 presents the cost-recovery ratio for all programs and facilities. The methodology used for calculating the cost-recovery ratio is consistent across all five years to ensure that the year-to-year comparison is accurate. The general fund subsidy to the RAF is excluded from the cost-recovery calculations in the figure to more accurately weigh program and facility revenues to costs. Revenues include both program/facility revenues and non-operating revenue (grants). Costs include recreation-division direct and indirect operating costs only. No departmental or citywide overhead costs are included.

Figure 5.
Current Cost-Recovery Rate,
City of Boulder Recreation Division, 2007-2011

Source:

City of Boulder Parks and Recreation Department.



The cost-recovery ratio for programs has averaged about 82% over the last five years. According to the RPFP, recreation programs in aggregate should eventually achieve 100% cost recovery, assuming business core programs subsidize social core programs and desirable programs are cost neutral. Raising fees, reducing direct staffing costs, reducing overhead costs, and seeking outside funding through grants, donations, and partnerships are ways to push cost-recovery rates higher.

As a longer-term goal, the RPFP states that the department should move toward including other currently unallocated overhead costs in its cost-recovery formulae if the RAF is to become self-sufficient. The cost categories included in the calculations in Figure 5 include direct and indirect program and recreation division costs only. The current standard departmental cost-recovery metrics do not include an allocation of departmental or citywide overhead or recurring capital costs (among others).

The department calculated a cost-recovery figure including these currently unallocated costs for 2011. In 2011, cost recovery would be about 60% if these unallocated costs were included. In strict terms, RAF self-sufficiency would require additional overhead allocation from the parks and recreation department and other city departments (e.g., city attorney, finance, city manager, etc.).

While recreation cost recovery has been the subject of most department analysis and revenue-raising efforts, the department is also exploring ways to expand cost-recovery principles to parks.

Parks, Funding, and Cost Recovery

City of Boulder parks operations and maintenance are funded through the general fund and 0.25-cent sales tax fund. Parks and natural lands operations and maintenance have a $5.2

million budget in 2012. In general, city parks do not provide much opportunity for cost recovery. The department has historically charged fees for public and private special events, picnic shelters, the band shell, Chautauqua Lawn, and Valmont Bike Park. Revenue from park rental fees accrues to the city general fund.

Boulder city parks have become increasingly popular with organized commercial fitness and recreation classes, such as yoga, tai chi, and fitness boot camp. These commercial groups have charged users for the classes, but the city historically did not receive any funds for use of the park. In 2011, the department began imposing a tiered commercial use fee to recover additional park maintenance costs associated with commercial use and to end the practice of subsidizing private for-profit activities in the parks. The fee is charged quarterly and is tiered according to park usage frequency.

Besides fee and revenue analysis to improve department cost recovery, the department also periodically evaluates program delivery efficiencies, described in the following section.

Program Management

The department requires current and new recreation programs to meet specific criteria. These criteria are described earlier in this report in the definition of social core and desirable programs. The criteria include community, social, and financial goals for each program. The department has stated that it will implement a regular and systematic program evaluation process to ensure that current programs continue to meet department and city goals in the RPFP. Program financial considerations are an important piece of the evaluation process. Program cost recovery is generally related to participation rates, pricing, local competition, and operating efficiency. Over time, the department could develop program benchmarks to use in an evaluation system. Program cost recovery will change over the life cycle of any recreation program.

The prevalence, pricing, and relative quality of competitive local recreation program offerings have a significant effect on city program pricing and participation rates. BBC compiled information on competitive recreation programs and facilities as part of the master plan process. This information is included as an appendix to this report. There is ample private competition for virtually all recreation programs and facilities in the Boulder market. As shown in the appendix, the department is generally at or near the least-expensive provider in most recreation programs and for general admission to recreation facilities. It is difficult to accurately assess city pricing relative to competitors because program or facility membership packages and associated pricing vary by provider.

Findings and Recommendations

In general, the department has received long-term direction to push toward complete cost recovery in the recreation division and to increase cost recovery in parks where possible. In the recreation division, achieving this goal will require the department to operate recreation as an enterprise and the RAF to function more like an enterprise fund. The department must continue in its efforts to increase user fee revenue and bolster operating efficiency in recreation programs and facilities in order to reduce reliance on general city tax support. In essence, the department must pass on more of the full cost of providing recreation programs, services, and facilities to users, while maintaining the most efficient operation possible to stay competitive in the crowded Boulder recreation market. In the parks division, the department should continue to explore implementing fees for park use where appropriate.

The following are findings and recommendations related to department budget and cost recovery:

- The department is largely funded with a mix of general tax support, a dedicated sales tax, a dedicated property tax, and user fees and charges. Many of these revenue sources are susceptible to overall city fiscal and economic conditions. Continue to evaluate more stable revenue sources that tie program and facility costs to users.
- The department currently does not track recreation cost-recovery performance by the three identified policy categories: social core, business core, and desirable. Financial data and cost-recovery calculations are available for broad program categories, but the department does not link these categories to the three policy groups. Cost-recovery analysis would be more effective if the policy terms and analysis methodology had a more transparent connection.
- Cost-recovery calculations have only recently included indirect revenue sources such as grant contributions. This has improved cost-recovery performance of some social core programs, such as YSI. In the future, a standard cost-recovery calculation methodology should be adopted to aid in program evaluation.
- Establish a consistent allocation of facility costs to recreation program fees, regardless of program location.
- Enforce recreation class minimum enrollment levels. This will ensure a more efficient operation and will translate to staff wage savings.
- Monitor program life cycle and enrollment closely; establish policy for streamlining or ending business core and desirable programs before city subsidies are required.
- Along with maintaining minimum enrollment levels, continue to monitor private recreation programs in the community and consider eliminating programs with poor enrollment and ample competing private options.
- Continue to periodically evaluate recreation programs to ensure that they meet stated community, social, and financial goals. This evaluation process should be systematic and would involve regularly verifying whether pricing, participation, and staffing efficiency are meeting or exceeding department requirements.
- Continue to identify and pursue grants, donations, and partnerships with outside organizations to enhance department revenue generation.
- Recognize that fee discounting to any group must be supported by another revenue source, whether that is general user fees or general tax support.

- Continue to evaluate innovative methods to improve cost recovery in city parks. The recent establishment of a commercial use fee is a good example of parks cost recovery.

Revenue trends were mixed across all funds. Direct general fund support increased by about 10% between 2010 and 2012. This increase in general fund support is largely the result of the expiration of a dedicated sales tax and reallocation of that revenue through the general fund. The lottery fund allocation to the department has remained stable. These funds are allocated by formula from the state and generally do not dramatically change from year to year. The 0.25-cent sales tax fund revenue increased by 7% between 2010 and 2012. Sales tax revenue varies with local consumer spending, and this may be an indication of a recovering retail sector in Boulder.