



PLEASANT VALLEY
RECREATION & Park district

Parks and Recreation Fee-Based
Cost Recovery Policy Development

Special Meeting – June 8, 2022

ALL INFORMATION SHOULD BE CONSIDERED DRAFT
(SUBJECT TO REVISION)

PRESENTATION OVERVIEW

- Provide Foundational Overview of Cost Recovery Concepts within California and Parks and Recreation Industry
- Provide District Cost Recovery Overview



Industry Practices

MUNICIPAL FEES IN CALIFORNIA

- The **California State Constitution**, amended by successive ballot measures, establishes requirements for governmental service fees
- Common practices among California agencies provide **widely accepted standards** for meeting Constitutional obligations
- User fees must be linked to and not exceed the **estimated reasonable cost of service**
- The **full cost of service** sets the maximum limit of a cost-based fee
 - Direct program costs for labor, services, and supplies
 - Facilities overhead
 - Departmental administration
 - Districtwide administration and central support services
- Generally, fees from users of one program may not be used to pay for costs incurred to serve discounted users or users of a different program

MUNICIPAL PARKS & RECREATION FEES IN CALIFORNIA

- Parks and recreation program fees are considered **governmental service fees** (except rents, which can be market-based)
- Most program **fees are managed dynamically by departments** as offerings, demand, and other market conditions change seasonally
- It is impractical for governing bodies to revise and adopt program fees as frequently as **programs change through the year**
- **Cost recovery policy** for the agency's parks and recreation programs is defined by its governing body (Board)
- **Adopted cost recovery policy creates the boundaries** for program fees set and managed by the department on a continual basis

COST RECOVERY POLICY FRAMEWORK

Cost recovery policy reflects **local values** regarding the presumed beneficiaries for each program area, ranging from **broad community benefit to narrow individual benefit**

Exclusively individual benefit

Considerable individual benefit

Balanced individual and community benefit

Considerable community benefit

Mostly community benefit

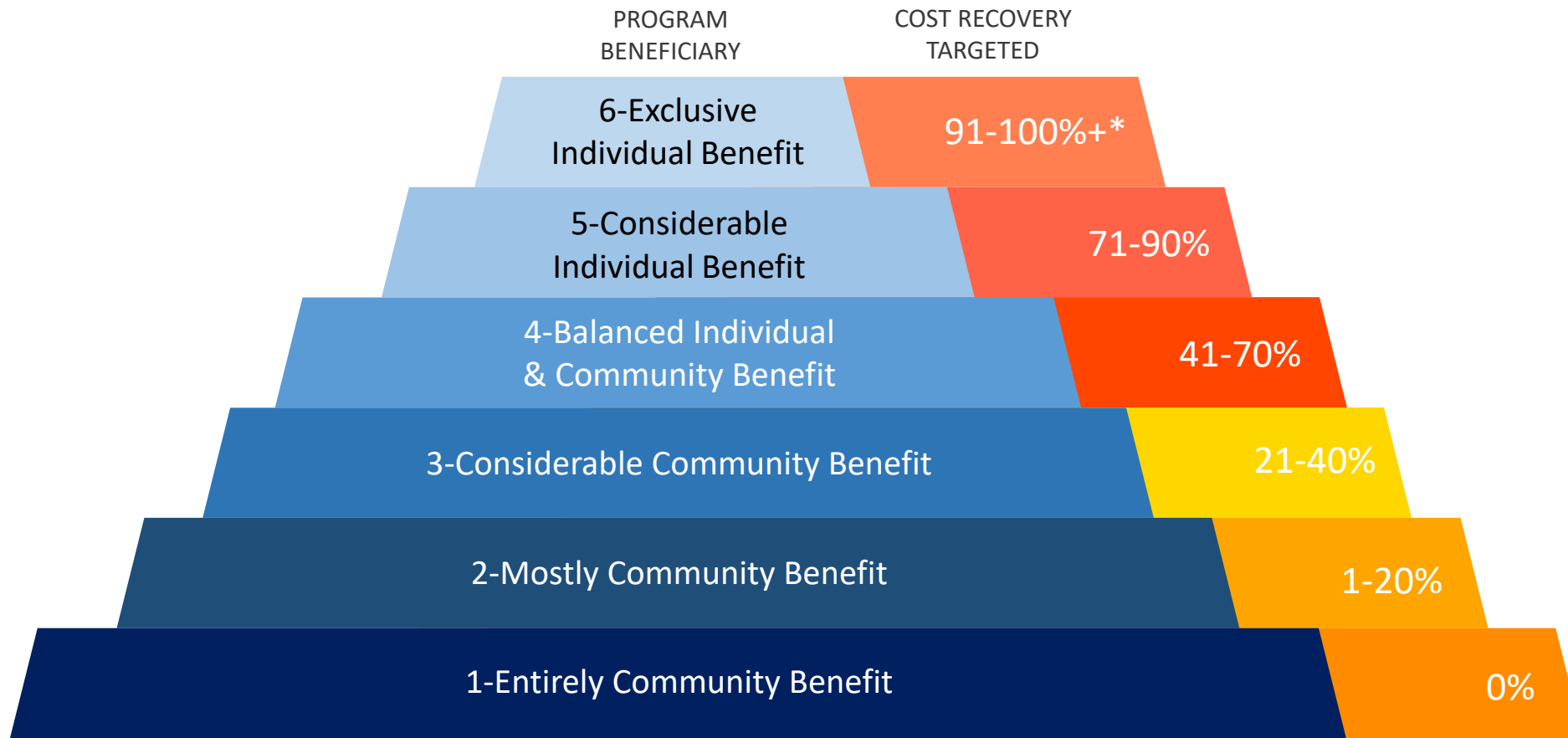
Entirely community-wide benefit

100%

Cost Recovery Targeted

0%

COST RECOVERY BENEFIT TIERS



100%+ indicates minor exceptions where premiums above cost may be justified, such as market-based rents.

TERMINOLOGY

These terms of art have specific meaning across California municipalities and special districts

“Full Cost of Service”

- The estimated total cost of a program, inclusive of direct labor, services, and supplies expenses, and associated overhead expenses

“Cost Recovery”

- The amount of a program’s full cost of service that is supported by the program’s own fee revenues

“Subsidy”

- The amount of a program’s full cost of service that is supported by other agency revenue sources



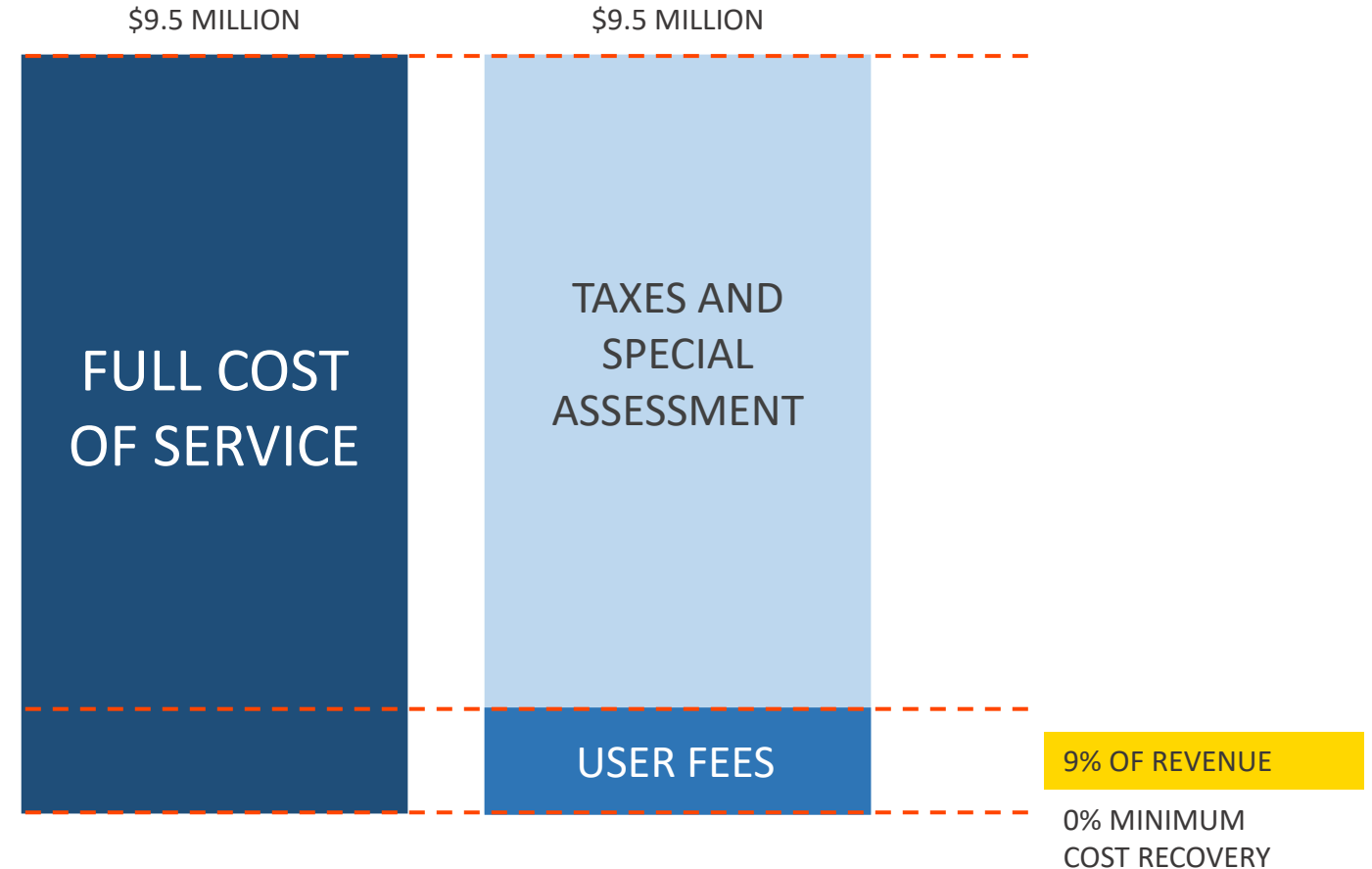
PVRPD Cost Recovery Overview

FINANCIAL STRUCTURE OF PARKS & RECREATION

- Parks and Recreation programs are budgeted in the **General Fund – Fund 10**
- **Tax revenue sources** in the General Fund which are collected from the community at-large pay for program costs that are not recovered from user fees
- The District also collects a special assessment and accounts for these funds in a special revenue fund

PARKS & RECREATION | TOTAL DEPARTMENT

- **\$9.5 million**
full cost of service
(day-to-day operations – excludes capital)
- **\$7.5 million**
revenue – primarily taxes
- **\$1.2 million**
revenue from special assessment
- **\$850,000**
revenue from user fees



OPERATIONS COST RECOVERY OVERVIEW

Revenue Overview	Total	Share
Generated Revenue (e.g., fees)	\$850,000	9%
Special Assessment	\$1,200,000	13%
All Other Revenue (e.g., taxes)	\$7,500,000	78%
Total	\$9,550,000	100%

FINANCIAL CHALLENGES

- Increases in labor, benefit, utility costs, and services and supplies costs
- Providing access to facilities and programs that are safe to use and align to community standards (health and safety).
- 10-Year California Minimum Wage increase = 88%
- Utility Expenses for Water = \$900K
- Utility Expenses for Gas & Electric = \$200K
- Liability Insurance = \$225K
- Limited General Fund Resources (must prioritize spending)

MULTI-YEAR CHALLENGES

- **Without adjustment, the forecast increase in revenue will be less than forecast increases in costs**

Forecast <u>Revenue Change</u> without Action Required	Forecast Annual Change *
Property Taxes	2%
Special Assessment	3%
User Fees and Charges	0%

Forecast <u>Expenditure Change</u>	Forecast Annual Change *
Personnel Costs	4%
Services & Supplies Costs	4%

* Change in revenues and costs are intended to serve as reasonable assumptions, based on current inflation and historical patterns.

Multi-Year Forecast Assuming General Inflationary Patterns

PVRPD	Base Year FY 21/22	1 Year Forecast FY 22/23	2 Year Forecast FY 23/24	3 Year Forecast FY 24/25	4 Year Forecast FY 25/26	5 Year Forecast FY 26/27
Revenue						
Taxes - Other (at 2% Increase)	\$7,478,645	\$7,624,828	\$7,773,933	\$7,926,018	\$8,081,144	\$8,239,370
Special Assessment (at 3% Increase)	\$1,209,804	\$1,246,098	\$1,283,481	\$1,321,985	\$1,361,645	\$1,402,494
User Fees and Charges (0% w/out action)	\$852,459	\$852,459	\$852,459	\$852,459	\$852,459	\$852,459
Total	\$9,540,908	\$9,723,385	\$9,909,873	\$10,100,463	\$10,295,248	\$10,494,324
Operating Expense						
Personnel (at 4% Increase)	\$4,819,209	\$5,011,977	\$5,212,456	\$5,420,955	\$5,637,793	\$5,863,305
Services & Supplies (at 4% Increase)	\$4,633,325	\$4,809,708	\$4,993,146	\$5,183,921	\$5,382,327	\$5,588,670
Total	\$9,452,534	\$9,821,685	\$10,205,602	\$10,604,876	\$11,020,120	\$11,451,975
Over / (Under) Revenues v. Expenditures	\$88,374	(\$98,300)	(\$295,729)	(\$504,413)	(\$724,872)	(\$957,651)

- This table includes recurring expenses
- User fees and charges assumed to remain unchanged without Board direction

Multi-Year Forecast Assuming General Inflationary Patterns

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Capital / Periodic (at 4% Increase)	<u>\$693,880</u>	<u>\$721,635</u>	<u>\$750,501</u>	<u>\$780,521</u>	<u>\$811,741</u>	<u>\$844,211</u>
Total	\$10,146,414	\$10,543,320	\$10,956,103	\$11,385,396	\$11,831,862	\$12,296,186
Over / (Under) Revenues v. Expenditures	(\$605,506)	(\$819,935)	(\$1,046,230)	(\$1,284,933)	(\$1,536,614)	(\$1,801,862)

- This table includes recurring and periodic expenses
- User fees and charges assumed to remain unchanged without Board direction

PVRPD Cost Recovery Comparison to Industry Benchmark

- Pleasant Valley RPD cost recovery from user fees and charges is less than industry average

Generated Revenue as % of Operating Expenditures	
Pleasant Valley RPD	9%
Industrywide Average *	23%

* Source: 2021 NRPA Agency Performance Review which contains data from 1,000 unique park and recreation agencies across U.S.

* 2021 NRPA Statistic = 24%



Recreation Cost Recovery Overview

RECREATION COST RECOVERY OVERVIEW (1 of 2)

PVRPD	Aquatics	Sports	Camps, Classes, P'tnrshps	Senior Services	Rec Admin, Mktg, Special Events	Recreation Subtotal
Revenue	\$140,732	\$161,590	\$88,204	\$37,600	\$40,045	\$468,171
Operating Expense						
Personnel	\$312,658	\$140,506	\$42,584	\$129,395	\$262,357	\$887,500
Services & Supplies	\$19,191	\$26,446	\$65,412	\$32,350	\$104,856	\$248,255
Total	\$331,849	\$166,952	\$107,996	\$161,745	\$367,213	\$1,135,755
Over/Under	(\$191,117)	(\$5,362)	(\$19,792)	(\$124,145)	(\$327,168)	(\$667,584)
Direct Cost Recovery Rate	42%	97%	82%	23%	11%	41%

- This is budgetary cost recovery
- **Not the full cost of service**
- **Excludes supporting costs budgeted to other divisions that support recreation**

WHAT ARE SUPPORTING SERVICES TO RECREATION

- Recreation Department Administration Costs

Allocation of Recreation Department Administration

Description	Total
Rec Admin, Mktg, Special Events	\$367,213

Rec Admin, Mktg, Special Events	Share	Total
Recreation Administration & Marketing	85%	\$312,131
Special Events	15%	\$55,082
Total	100%	\$367,213

Description	Allocation Method
Allocation Methodologies for Recreation Administration & Marketing	Allocate Uniformly Among Divisions

Allocation of Recreation Department Administration

Description	Allocation
Aquatics	\$62,426
Sports	\$62,426
Camps, Classes, Partnerships	\$62,426
Senior Services	\$62,426
Special Events	\$62,426
Total Allocation	\$312,131



WHAT ARE SUPPORTING SERVICES TO RECREATION

- District Administration Costs

Allocation of PVRPD Administration

Description	Total
PVRPD Admin	\$3,234,839

Description	Allocation Method
Allocation Methodologies for PVRPD Admin	Allocate Based on Support Provided

Allocation Metrics

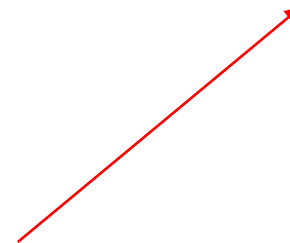
Division	Allocation Share
Recreation	33%
Parks	67%
Total Revenue	100%

Allocation of Recreation Department Administration

Description	Allocation
Recreation	\$1,078,280
Parks	\$2,156,559
Total Allocation	\$3,234,839

Allocation of District Administration

Description	Allocation
Aquatics	\$215,656
Sports	\$215,656
Camps, Classes, Partnerships	\$215,656
Senior Services	\$215,656
Special Events	\$215,656
Total Allocation	\$1,078,280



RECREATION COST RECOVERY OVERVIEW (2 of 2)

Recreation Cost Recovery Overview - With Allocation of Recreation Administration & Marketing & Allocation of PVRPD Administration

PVRPD	Aquatics	Sports	Camps, Classes, P'tnrshps	Senior Services	Special Events	Recreation Admin & Mktg	Recreation Subtotal
Revenue	\$140,732	\$161,590	\$88,204	\$37,600	\$40,045	\$0	\$468,171
Operating Expense							
Personnel	\$312,658	\$140,506	\$42,584	\$129,395	\$39,354	\$223,003	\$887,500
Services & Supplies	\$19,191	\$26,446	\$65,412	\$32,350	\$15,728	\$89,128	\$248,255
Subtotal	\$331,849	\$166,952	\$107,996	\$161,745	\$55,082	\$312,131	\$1,135,755
<i>Adjustment for Allocation of Rec Admin & Marketing</i>							
<i>Rec Admin & Mktg</i>						(\$312,131)	(\$312,131)
<i>Direct Svcs</i>	\$62,426	\$62,426	\$62,426	\$62,426	\$62,426		\$312,131
<i>Adjustment for Allocation of PVRPD Administration</i>	\$215,656	\$215,656	\$215,656	\$215,656	\$215,656		\$1,078,280
Costs	\$609,931	\$445,034	\$386,078	\$439,827	\$333,164	\$0	\$2,214,035
Over/Under	(\$469,199)	(\$283,444)	(\$297,874)	(\$402,227)	(\$293,119)	\$0	(\$1,745,864)
Cost Recovery Rate with Rec Admin	23%	36%	23%	9%	12%		21%

* Source: FY 21/22 Adopted Budget.

Italicized amounts segregated for purposes of this analysis only. For District budgeting purposes amounts are combined.

- **This represents the full costs of service**
- **Note: day-to-day operating costs only. Excludes capital and debt service**



Reserved Use of Fields and Facilities Cost Recovery Overview

PARKS MAINTENANCE COST RECOVERY OVERVIEW (1 of 3)

Description	Total
Parks	\$3,665,960
Share of PVRPD Admin	\$2,156,559
Total	\$5,822,519

- ***Questions:***
- ***How much of these costs should be considered as potentially recoverable from fees and charges?***
- ***Do some facilities cost more than others?***

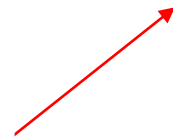
PARKS MAINTENANCE COST RECOVERY OVERVIEW (2 of 3)

Facility Overview	Intensity	Count
Neighborhood Park / Light Maintenance	Low	12
Neighborhood Park / 2-3 times per week Maintenance	Mid	4
Community Park or NP / Daily Maintenance	High	12
Total		28

- Rentals and requests for reserved use typically happen at these facilities
- **E.g., Freedom Park, Community Center, Bob Kildee, Mission Oaks, Pleasant Valley Fields**

PARKS MAINTENANCE COST RECOVERY OVERVIEW (3 of 3)

Description	Total
Parks	\$3,665,960
Share of PVRPD Admin	\$2,156,559
Total	\$5,822,519



- This represents full cost of service for Parks Maintenance (day-to-day costs of operations)
- **Excludes costs funded from special assessment**
- **Excludes capital and debt service**

Cost Allocation Primary Reserved Areas and All Other Areas

Description	Annual Cost	Share of Cost
Primary Reserved Use Locations	\$2,944,604	51%
All Other Areas	\$2,877,915	49%
Total	\$5,822,519	100%

Share of Primary Rental Areas and Reserved Use Areas Dedicated to Reserved Use

Description	Total
Reserved Use Share of Total Usable Hours	29%

Cost Allocation for Primary Rental and Reserved Use Areas

Description	Annual Cost	Cost Based on Location Type
Reserved Use	\$860,910	29%
All Other Uses	\$2,083,694	71%
Total	\$2,944,604	100%

Cost Recovery Overview for Primary Reserved Field Areas

Description	Cost Based on Acreage
Contributions & Rental/Use Fees	\$95,134
Costs	\$860,910
Cost Recovery	11%
Over / (Under)	(\$765,776)



Next Steps
Aligning Benefit to Cost Recovery

POLICY-DRIVEN BENEFIT TIERS AFFECT FEE DECISIONS

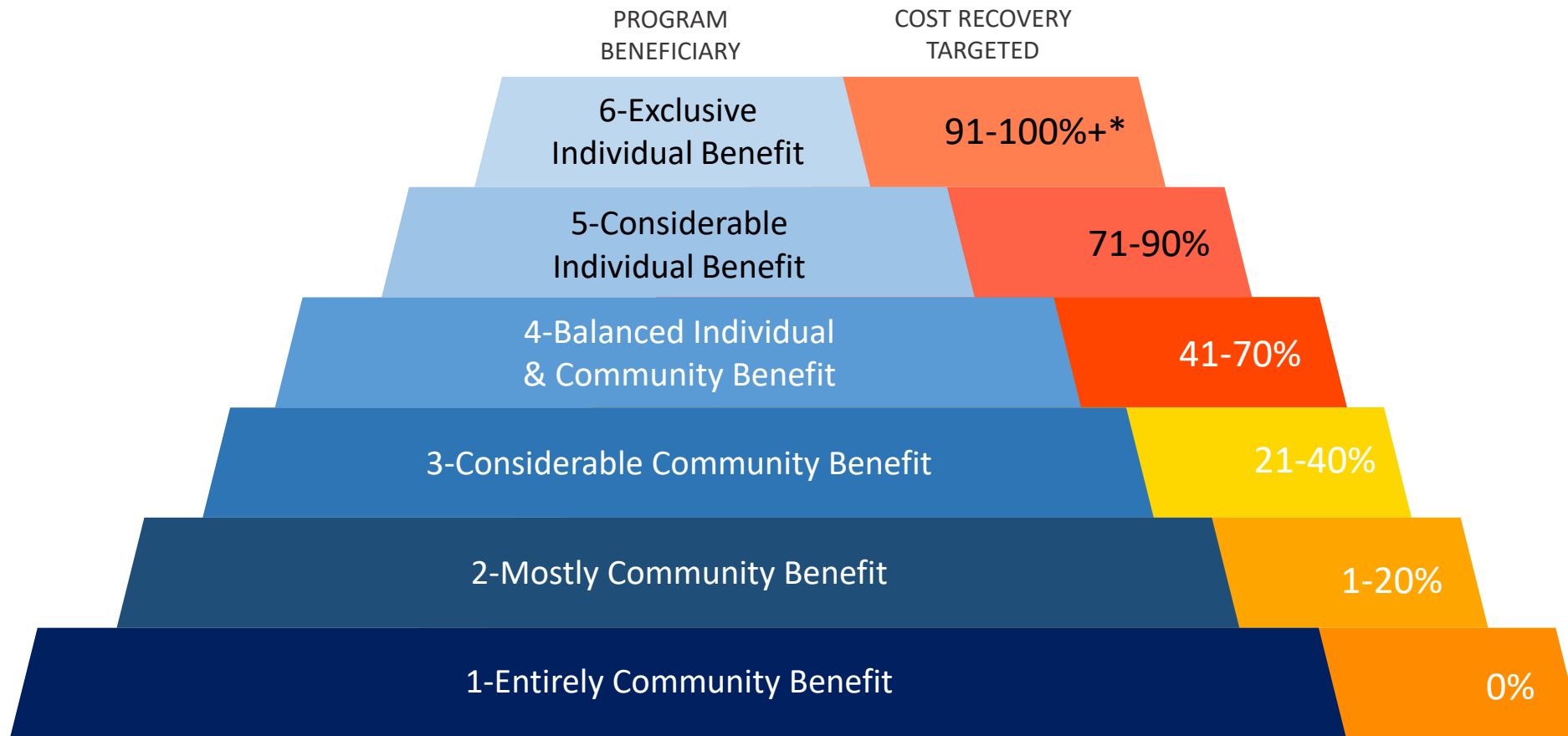
- The District conducts a cost of service analysis
- Programs are targeted for revised cost recovery based on benefit categorization
- Proposed cost recovery policy and estimated revenue changes by program area are submitted to Board for consideration and action
- **Within the boundaries of Board policy, the District sets prices for seasonally managed offerings under each program area, taking into account market conditions at the time of offering**
- District conducts periodic cost recovery analysis, enabling regular comprehensive review of performance and update of driving policies affecting fees based on recent experience and prevailing conditions

PROVIDING ACCESSIBILITY TO VULNERABLE USERS

Ensuring access to programs by low-income users who might otherwise be excluded or negatively impacted by overall cost recovery policies

- Concern for small subsets of vulnerable users should not drive the placement of program cost recovery policy impacting all users of the program
- Board can direct policy on lower cost recovery goals, fee discounts, or fee waivers for defined users, such as low-income populations

COST RECOVERY BENEFIT TIERS



100%+ indicates minor exceptions where premiums above cost may be justified, such as market-based rents.

EXAMPLES OF BOARD DIRECTION AND INPUT

Description	Aquatics	Sports	Camps, Classes, P'rtnrshps	Senior Services	Special Events	Reserved Field Use
Current Cost Recovery Rate	23%	36%	23%	9%	12%	11%
Target Cost Recovery Rate	Receive Input from Board					

AND / OR

Description	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Expected Change w/out Board Direction	0%	0%	0%	0%	0%	0%
General Direction from Board <i>(Example Only - Illustration)</i>	5% ↑	5% ↑	5% ↑	5% ↑	5% ↑	5% ↑



QUESTIONS AND FEEDBACK
DISCUSS NEXT STEPS
