

Pyramid Cost Recovery Program

- 1. Category I- Community Benefit-**The foundational level of the pyramid is the largest and represents program, facilities and services that benefit the community as a whole. These programs, facilities and services increase property values, provide safety, and enhance quality of life for the residents. The community generally pays for these basic service and facilities through taxes. These services shall be offered by the agency with minimal or no fee charged. Most of the tax support of the agency supports this level of the pyramid.

List of Current Programs

- Summer Magic
 - Teen Trek
 - Park Pals
 - C.A.P. Club
 - Teen Club
 - Teen Smarts
 - Senior Meals on Wheels
 - Rec TR program
 - Blast TR program
 - Special Events “Bark in the Park”
 - Swimming (Recreational Swim)
 - Demonstration Garden free classes
 - Senior Mini Mart
 - Romper Room
 - Dog Parks
 - Open Spaces and Trails
 - Spray Parks
 - Tennis Courts
 - Basketball Outdoor Courts
- 2. Category II-Community/Individual Benefit-**The second and smaller level of the pyramid represents program, facilities, and service that promote individual physical and mental well-being, and provide recreational skill development. They are generally the more traditionally expected services and instructional levels. These programs, services, and facilities shall be assigned a fees based on a specified percentage of direct and indirect costs that represents a tax subsidy to account for the community benefit and participant fee to account for the individual benefit.

List of Current Programs

- Senior Center Excursions
- Learn to Swim Classes
- Senior Special Events
- Park Reservations under 400 participants
- TR Classes
- Junior Lifeguard Program
- Paid Romper Room
- Community Room Rentals

3. **Category III-Individual/Community Benefit-The third and smaller level of the pyramid represents services that promote individual physical and mental well-being, and provide an individual or small group level of recreation skill development. This level provides more individual and less community benefit and should be priced to reflect this.**

List of Current Programs

- Teen Zone
- Kids Zone
- Traveling Teens
- Specialty Camps
- Jr. Kids Zone
- Safekey
- Teen Scene
- Teens-in-Training
- Youth Sports

4. **Category IV-Highly Individual Benefit-The fourth and small level of the pyramid represents specialized services generally for specific groups with a competitive focus. In this level programs and service should be priced to recover full costs.**

List of Current Programs

- Senior Sports Leagues
- Senior Games
- Youth Tournaments outside organizations
- Racquetball Reservations
- Tennis Reservations
- Fitness Room
- Swim and Trim Passes
- Park Reservations 400+ participants

- 5. Category V-Mostly Individual Benefit-The fifth and smallest level of the pyramid represents activities that have a profit center potential and may fall outside the core mission or value statement. In this level programs and services should be priced to recover full costs plus.**

List of Current Programs

- **Contract Instructor Classes**
- **Contract Instructor Workshops**
- **Adult Sports Tournaments**
- **Youth Sports Sport's Camps**
- **Tennis Reservations for Private Instruction**
- **Facility Rentals**
- **Competitive Swim Teams**
- **Competitive Dive, Water Polo, Syncho Teams**
- **Adult Sports**
- **Excursions**

Parks & Recreation Department Pricing Policy Guidelines

I. INTRODUCTION:

A. Purpose

There is a need to address pricing policies for participation in programs, facility use and use of equipment. The policy guidelines will identify which services should be fee based, and provide for a fair, equitable and simple fee structure. The guidelines will help determine the appropriate level for each fee to meet goals by generating revenue to offset costs.

B. Objectives

These pricing policy guidelines are intended to address pricing needs for programs, facilities, and services of the entire department. They should allow for a comprehensive operation that is financially feasible, sustainable, and affordable, and also one that provides outstanding service to residents.

II. OVERVIEW:

A. Department Philosophy

The Parks and Recreation Department offers diversified recreational services to its citizens, recognizing governments' responsibility to provide public recreational facilities and leisure opportunities. It is the desire of the Department to improve the quality of life for each individual and the community as a whole, and to offer the most efficient and professional services by:

1. Providing and maintaining parks and recreation facilities for use by the general public.
2. Providing equal opportunity for all residents to participate in recreational programs and to fully use the facilities of the department.
3. Providing trained and qualified personnel for supervision and instruction in recreation programs, and for facility maintenance.
4. Welcoming public input into planning and evaluation of recreation programs, facilities, and services.

B. Considerations

When establishing user fees, the following should be taken into consideration:

1. Who benefits from the service, the community in general or only the individual or group receiving the service?
2. Did the individual or group receiving the service generate the need and therefore the cost of providing the service? An example of this type of service is a permitted activity in a park that requires police presence above and beyond the norm.
3. Will imposing the full cost fee pose a hardship on specific users?
4. Do community values support taxpayer subsidy of the cost of service for individuals with special needs (e.g. people with disabilities or low-income)?
5. Will the level of the fee affect the demand for the service?
 - a) Is it possible and desirable to manage demand for a service by changing the level of the fee?
 - b) Are there competing providers of the service in the public or private sector?

C. Benefits of Fees and Charges

1. Creates value for the service or facility.
2. Allows the ability to ration limited services and facilities among a large number of users.
3. Allows better ability to aid in discipline and control of participants.

III. DEFINITIONS:

A. Costs

Direct Costs: all the specific, identifiable expenses associated with providing a service. These expenses include, but are not limited to, wages and benefits, contracted services, rental of facilities and equipment directly related to the service, and purchased equipment and supplies.

Indirect Costs: Department overhead including the administrative costs of the Department, funding debt service (when it is part of the cost of providing a service), and contractual services, as appropriate.

B. Fees

Partial Cost Fee: a fee that recovers something less than the full cost. This could be a percentage of direct costs, all direct costs, all direct costs plus a percentage of indirect costs, etc.

Full Cost Fee: a fee that recovers the total cost of a service (the sum of all direct and all indirect costs.)

Market Rate Fee: a fee based on demand for a service. Once the market is defined by identifying all providers of an identical

service (i.e., private sector providers, other municipalities, etc.), a market rate fee can be set. The fee is set at the highest level the market will bear for the service provided.

C. Participant Categories

Resident: a person living within the agency boundaries who pays taxes to the agency.

Non-Resident: a person living outside of agency boundaries who does not pay taxes to the agency.

Child: under the age of 13

Teen: ages 13 through 17

Adult: ages 18 and up

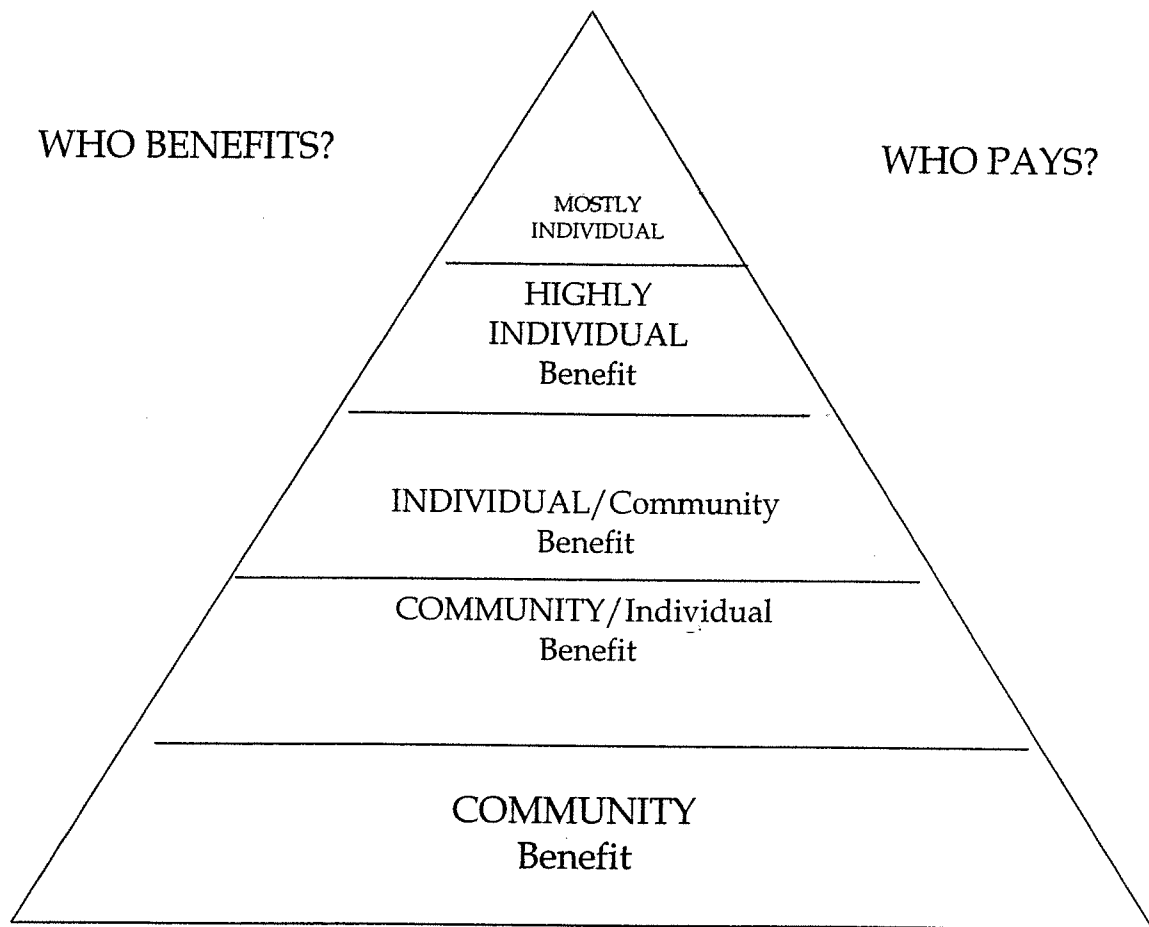
IV. PRICING POLICY GUIDELINES

A. Pyramid Pricing Model

A pyramid pricing model illustrates a pricing philosophy based on establishing fees commensurate with the benefit received. Descriptions regarding each level of the pyramid are provided, however, the model is intended as a discussion point and is very dependent on department and agency philosophies to determine what programs and services belong on each level. Cultural, regional, geographical and resource differences play a large role in this determination.

The pyramid model found on the following page graphically represents this concept. The model is followed by a description of each level of the pyramid. The foundational level of the pyramid represents the mainstay of a public parks and recreation program. It is the largest service level and most heavily tax supported. Programs appropriate to higher levels of the pyramid should be offered only when the preceding levels below are full enough to provide a foundation for the next level. This is intended to represent the public parks and recreation mission while reflecting the growth and maturity of an organization.

THE PYRAMID MODEL



1. **COMMUNITY Benefit** - The foundational level of the pyramid is the largest and represents those programs, facilities and services that benefit the community as a whole. These programs, facilities and services increase property values, provide safety, and enhance quality of life for the residents. The community generally pays for these basic services and facilities through taxes. These services shall be offered to agency residents at minimal or no fee. Most of the tax support of the agency supports this level of the pyramid.
 - a) Examples of these basic services could include drop in swim, program brochures, special events, scholarship programs, planning and design, maintenance, and research.

- b) Examples of these basic facilities could include swimming pools, non-exclusive use of family picnic areas, park playgrounds, open spaces, tennis courts, informal ballfields, outdoor basketball courts, and walking trails.
2. **COMMUNITY/Individual Benefit** - The second and smaller level of the pyramid represents programs, facilities and services that promote individual physical and mental well-being, and provide recreational skill development. They are generally the more traditionally expected services and beginner instructional levels. These programs, services and facilities shall be assigned fees based on a specified percentage of direct and indirect costs that represents a tax subsidy to account for the COMMUNITY Benefit and participant fee to account for the Individual Benefit.
- a) Examples of these services could include swim lessons, beginning level instructional programs and classes, kids camps, registration program, and local trips.
 - b) Examples of these facilities could include picnic shelters, boat launches, and lighted tennis courts.
3. **INDIVIDUAL/Community Benefit** - The third and smaller level of the pyramid represents services that promote individual physical and mental well-being, and provide an intermediate level of recreational skill development. This level provides more INDIVIDUAL and less Community Benefit and should be priced to reflect this.
- a) Examples of these services could include summer swim team, adult golf lessons, and picnic shelter reservations.
 - b) Examples of these facilities could include athletic complexes, skatepark facilities, and dog parks.
4. **HIGHLY INDIVIDUAL Benefit** - The fourth and smaller level of the pyramid represents specialized services generally for specific groups with a competitive focus. In this level programs and services should be priced to recover full cost.
- a) Examples of these services could include a year round competitive swim team, leagues, and specialty classes.

- b) Examples of these facilities could include platform tennis courts, and hot tub.
5. **MOSTLY INDIVIDUAL Benefit** – the fifth and smallest level of the pyramid represents activities that have a profit center potential and may fall outside of the core mission. In this level programs and services should be priced to recover full cost plus.
- a) Examples of these activities could include tournaments, concessions, company picnics and facility rentals.

B. Criteria for Establishing Fees and Charges

1. Low or No Cost Recovery/High or Full Subsidy

- a) Should apply to most of COMMUNITY Benefit level of pyramid.
- b) The following criteria are used to determine if a service should be included in the category, keeping in mind that a service does not have to meet every criteria:
 - The service is equally available to everyone in the community and should benefit everyone.
 - Because the service is basic, it is difficult to determine benefits received by one user.
 - The level of service attributable to a user is not known.
 - Administrative costs of imposing and collecting a fee exceed revenue expected from the fee.
 - Imposing the fee would place the agency at a serious competitive disadvantage.
 - The service is primarily provided by the public sector.

2. Partial Cost Recovery/Partial Subsidy:

- a) Should apply to COMMUNITY/Individual Benefits and INDIVIDUAL/Community Benefits levels of pyramid.
- b) Users fees may recover only partial cost for those services for which the agency desires to manage demand.
- c) User fees may recover only partial cost from those individuals who cannot pay full cost due to economic hardship.
- d) A user fee may recover only partial cost if competitive market conditions make a full cost fee undesirable.
- e) The following criteria are used to determine if a service should be included in this category, keeping in mind that a service does not have to meet every criteria:

- Services benefit those who participate but the community at large also benefits.
 - The level of service use attributed to a user is known.
 - Administrative costs of imposing and collecting the fee are not excessive.
 - Imposing a full cost fee would place the agency at a competitive disadvantage.
 - The service is usually provided by the public sector, but may also be provided by the private sector.
3. **Full Cost Recovery/No Subsidy:**
- a) Should apply to HIGHLY INDIVIDUAL Benefit level of pyramid.
 - b) User fees should recover the full cost of services that benefit specific groups or individuals
 - c) User fees should recover the full cost for those services provided to persons who generate the need for those services.
 - d) The following criteria are used to determine if a service should be included in this category, keeping in mind that a service does not have to meet every criteria:
 - The individual or group using the service is the primary beneficiary.
 - The level of service use attributed to a user is known.
 - Administrative costs of imposing and collecting the fee are not excessive.
 - Imposing a full cost fee would not place the agency at a competitive disadvantage.
 - The service is usually provided by the private sector, but may also be provided by the public sector.
4. **“Enterprise” or “Profit” Center:**
- a) Should apply to MOSTLY INDIVIDUAL Benefit level of pyramid.
 - b) User fees could recover more than the full cost for a service in order to subsidize other services provided to the community.
 - c) The following criteria are used to determine if a service should be included in this category, keeping in mind that a service does not have to meet every criteria:
 - Individuals or groups benefit from the service and there is little community benefit.
 - The level of service use attributable to a user is known.
 - There is excess demand for the service; therefore, allocation of limited services is required.

- Administrative costs of imposing and collecting the fee are not excessive.
- The service is provided at market price by the private sector.

C. Other Considerations:

- a) Administrative costs of collecting fees should be small relative to the revenue generated by the fee.
- b) Residents pay agency taxes. Therefore residents will pay a lesser fee than non-residents for the service. Non-residents will pay approximately 25% higher for the service.
- c) Fees and charges shall support other resources available to the Parks and Recreation Department, and are not intended to replace them or reduce the agency's responsibility to provide public recreational facilities and leisure opportunities. They provide a means to continue, and expand as necessary, the ability to offer services to residents.
- d) Refund and Transfer Policy: Unless noted in a program description, or other published materials, refunds will be honored through the first program meeting only. A \$7 service charge will apply if requested before class starts. A \$7 service charge or 25%, whichever is greater, will apply if requested between the first and second class. A full refund will be granted if the agency cancels the class. A \$5 transfer fee will apply if requested before the second class.
- e) Returned Check Policy: A \$30 service charge will apply to each returned check.
- f) Reduced Rate Services Policy: The reduced rate policy is intended to provide recreation and leisure opportunities at a reduced rate to citizens of the agency with economic need. The agency will work directly with the appropriate social services agency to provide a means of identification of residents meeting eligibility requirements. Depending upon the systems in place for identification of need, residents may be subsidized between 50 and 75%, or at more than one level depending upon need.

V. IMPLEMENTATION OF PRICING POLICY GUIDELINES

- A. Fees for services shall be reviewed annually, and adjusted as necessary, to meet the Pricing Policy Guidelines.
- B. Any surplus revenue from one program may be utilized to offset cost for other related programs.

C. Fees and Charges Recommendations for Community Recreation Centers will be made at the appropriate time as part of the budgeting process for the facility. The operation of Community Centers as a whole is considered part of the second level of the pyramid where a partial subsidy is anticipated. This enhances and expands upon the base level where the construction of the Center resides. A target cost recovery is set at 80% and is considered feasible. Various services within the operation of the center may fall in different levels of the pyramid depending on the nature of the service. Types of services include:

- 1) Admission Fees (Daily, 20-Punch, Annual)
- 2) Program Fees
- 3) Rental Fees
- 4) Merchandise Fees
- 5) Concessions/Vending Fees
- 6) Babysitting Fees
- 7) Parties (Birthday, etc.)
- 8) Other