

# City of Salina Parks and Recreation Revenue and Pricing Policy

## SECTION 1. INTRODUCTION

Salina Parks and Recreation offers a wide range of facilities, programs and services including parks, aquatic programs, recreation classes, senior services, athletics leagues/programs, youth enrichment programs, therapeutic programs, and special events. Salina Parks and Recreation collects a variety of program and facility use fees, but is still primarily supported by the City of Salina's General Fund.

Program fees have been set by City Commission in the past; however, the suggested new Pricing and Cost Recovery Policy recommends giving the City Manager authority to set all user fees and pricing strategies working with the Parks and Recreation Department Advisory Board and staff. This will enable the City to quickly respond to market trends and community needs by implementing pricing methods as appropriate to meet financial sustainability.

Traditionally, the City has subsidized some programs and kept fees low to accommodate the percentage of customers that could not afford market rates for services. The unintended consequences of pricing services below-market rates are that the Parks and Recreation Department is not able to consistently balance the demand for quality programs and facilities with available resources.

To identify recommended cost recovery rates for Salina, the Pricing and Cost Recovery Policy uses national benchmark information, local market conditions, and user survey information for all parks and recreation programs and services.

In developing the Pricing Policy, the Parks and Recreation Department is suggesting the following policy to move the organization forward in maintaining a sustainable system and operating in the most efficient manner:

"The Salina City Commission hereby authorizes the City Manager to set all user fees and pricing strategies based on staff recommendations in accordance with the established cost recovery goals as outlined in this policy."

## SECTION II. PURPOSE

The Pricing and Cost Recovery Policy is a mechanism for allocating the use of public funds, creating a financially sustainable approach for recreational services and facilities, maximizing the use of programs and facilities, and ensuring affordable access to programs and services. The Pricing and Cost Recovery Policy allow City Commission, users, staff, and general taxpayers to better understand the philosophy behind the pricing of programs and services. The Pricing and Cost Recovery Policy presents a cost of service template to be used to determine the level of cost recovery for direct and indirect costs for each core program category.

## SECTION III POLICY

### A. RECOMMENDATIONS

The following recommendations were developed to address key issues to support and act on implementing the pricing policy and creating a more sustainable and efficient Department:

- Establish a cost recovery range for each program area and allow the City Manager to set prices with staff input while keeping within the cost recovery goals established by the City Commission

- Review prices annually since the City operational costs go up. Adjust prices to stay within established cost recovery goals
- *Children* will include ages 16 and younger and *Senior Adult* will include people 62 and older
- Establish cost recovery goals for new facilities before they are built and require the engineers to design to that operational goal
- Develop a permit rate with a percentage of gross revenue for private operators who generate private gain with no capital or operational cost investment
- Continue the scholarship program that allows families access to either \$20 or \$30 dollars a year for programs based on their enrollment in the school lunch program
- Determine not-for-profit 501-C-3 status for all outside users seeking special permits that allow them to gain personal revenue off City-owned facilities prior to permitting

The City of Salina is committed to providing outstanding public parks, recreation facilities and recreation programs. The increasing demands for additional park usage, recreation programs/facilities and services, coupled with rising operating and capital costs, make it challenging to maintain existing levels of service. The establishment of a Pricing and Cost Recovery Policy is designed to provide the Parks and Recreation Department with consistent guidelines in pricing facilities, programs and services.

The Pricing and Cost Recovery Policy allow elected officials, users, staff, and general taxpayers to better understand the philosophy behind pricing of products and services offered. The Pricing and Cost Recovery Policy is based on the true costs to provide programs and services. The staff will be developing the true cost to provide the services, programs and facilities through a cost of service model.

## **B. TYPES OF FEES AND CHARGES**

The following definitions are provided to clarify the meaning of terms used within this policy document:

**Admission Fees:** Fees to enter a building or enclosed structure or facility, as in a fee to enter an aquatic facility.

**Rental Fees:** Payments made for the privilege of exclusive use of park property or facilities of any kind.

**User Fees:** Fees for use of a facility amenity or participation in a program or activity.

**Sales Revenue:** Revenue obtained from the operation of concessions, sale of merchandise and other property.

**Special Service Fees:** Fees for supplying extraordinary articles, commodities, activities or services that may not be considered standard or routine functions of the Agency, such as private lessons and staff support required for special events.

**Membership Fees:** Charges that entitle individuals to multiple use of a facility for a predetermined number or duration. Examples include Annual Passes, Individual Passes, etc. to aquatic facility.

**License and Permit Fees:** Fees to obtain written consent to perform some lawful action, typically after permission has been granted by the Agency.

**Non-Profit Organization Fees:** Fees available only to non-profit organizations with Internal Revenue Service 501(c)(3) tax-exempt status or is listed as a non-profit organization with the Secretary of State's office.

**Vendor Permit Fees:** Fees for the privilege of selling goods and services on City property.

## C. OTHER DEFINITIONS

**Direct Costs:** Those costs that can be directly and exclusively attributed or assigned to a specific service or program.

**Enterprise Funds:** Used to account for a distinct business activity by the Agency that involves no tax subsidy. In enterprise accounting, the full cost of doing business plus debt service, depreciation and contributions to reserve funds are included in financial reports.

**Indirect Costs:** Those costs that can be attributed to more than one (1) program or service and are not generally a part of the user's direct experience. These costs may be somewhat constant or "fixed" regardless of the level of program participation or facility usage. Examples would include program administration and supervisory staff salaries, departmental administrative staff salaries and costs for a facility or vehicle used for different programs.

**Cost Recovery:** To recover the cost of providing a particular service through fees, charges or funding source other than tax dollars. The level of cost recovery will vary depending upon the program or service.

**Administrative Fee:** This fee covers a portion of the indirect costs associated with the administration of all programs. It covers items such as processing and credit card fees, marketing materials, advertising and other support costs.

**Agency:** Refers to the Parks and Recreation Department.

**Agency Co-Sponsored:** Services that are organized, promoted, and conducted in part by Agency staff and in part by an outside agency, organization or individual(s) and are the negotiated responsibility of both parties as defined by a contract or letter of agreement.

**Agency Sponsored:** Services or programs that are organized, promoted, and conducted by the City of Salina Parks and Recreation Agency.

**Agency Facilitated:** Services or programs that are organized, promoted, and conducted by an outside agency, organization or individual(s) with limited assistance from Agency staff. These services or programs are the responsibility of the outside group. Agency involvement includes permission to use an Agency facility or promotional assistance. Normally a contract or letter of agreement defines these levels of service.

**Special Park Fund:** A fund established to support a specific park, facility or program. In lieu of the City's "general fund," monies are accrued in a special capital fund. The Agency's Parks and Recreation Board may recommend expenditures.

**Director:** The Director of Parks and Recreation or his designee.

**Service:** Any program, class, event, activity, sales or rental opportunity provided by the Agency.

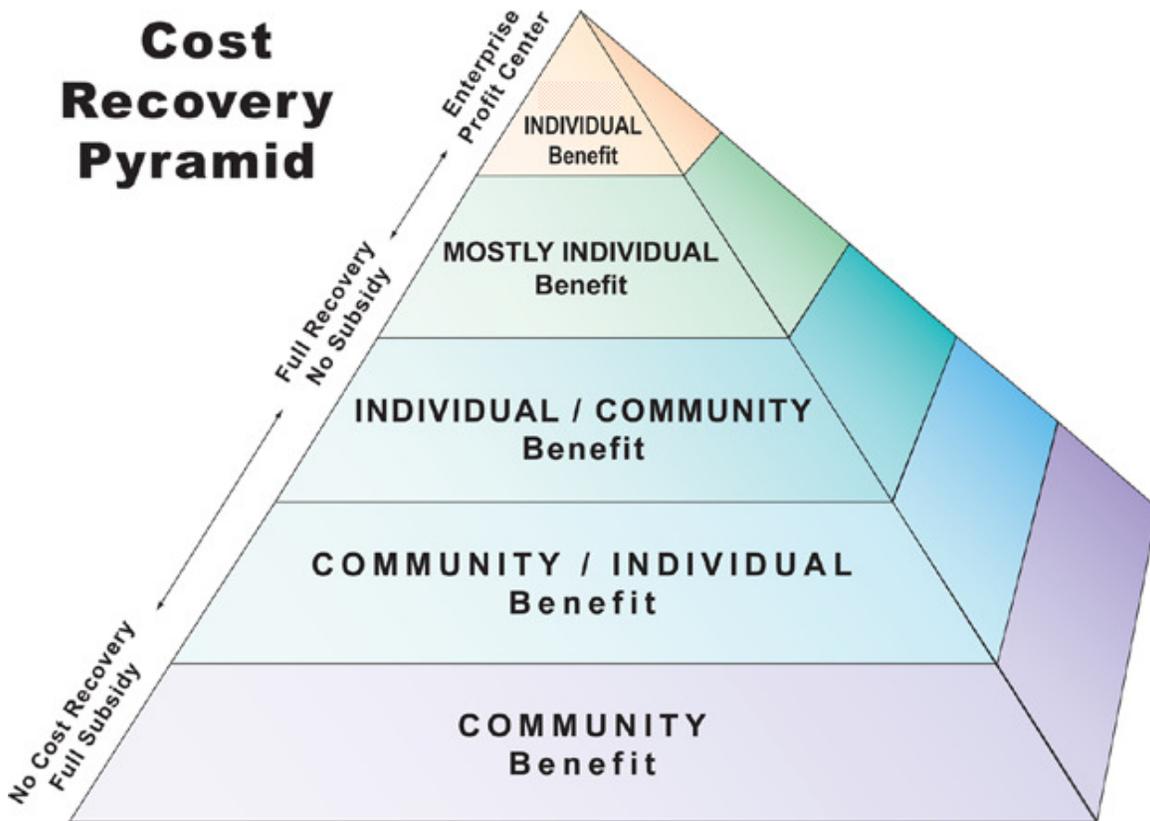
## SECTION IV: PRICING POLICY GUIDELINES

### A. Cost Recovery Pyramid

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 below 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.



### 1. COMMUNITY Benefit (0-25% Cost Recovery)

The foundational level of the pyramid is the largest and represents those programs, core services, 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 of Salina. 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.

Some examples of programs and facilities in this category are:

- Parks maintenance
- Playgrounds
- Unscheduled outdoor play courts (basketball, tennis)
- Community wide special events
- Trails

### 2. COMMUNITY/Individual Benefit (26-50% Cost Recovery)

The second 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.

Some examples of programs and facilities in this category are:

- Picnic shelters and reservations
- Neighborhood center reservations

### **3. INDIVIDUAL/Community Benefit (51-75% Cost Recovery)**

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.

Some examples of programs and facilities in this category are:

- Basic senior recreation programs
- Scheduled access to sports fields from user groups
- Youth Sports Leagues

### **4. MOSTLY INDIVIDUAL Benefit (76-100% Cost Recovery)**

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.

Some examples of programs and facilities in this category are:

- Leisure classes and higher level instructional activities
- Low instructor/student ratio lessons (e.g. semi-private or private swim lessons)
- Specialized youth instructional programs with higher material costs
- Adult sports leagues
- High level senior programming (e.g. recreation trips)

### **5. INDIVIDUAL Benefit (100% + Cost Recovery)**

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.

Some examples of programs and facilities in this category are:

- Company picnics and facility rentals (e.g. Kenwood Cove rental, park closures)
- Tournaments
- Concessions in certain areas
- Large group trips
- Advanced level leisure classes or workshops
- Specialized youth/adult athletic programs

## **B. PRICING ADJUSTMENTS**

The following adjustments may be considered when determining fees and charges for services.

### **1. SPECIAL GROUPS:**

**Non Profit Organizations:** These organizations often utilize department facilities to conduct activities, including fundraising, which supports the non-profit organization's

mission. As a way for the Agency to support these efforts, reduced fees may be established for organizations possessing Internal Revenue Service 501(C)(3) tax-exempt status or listed as a non-profit organization with the Secretary of State's Office.

**Senior Citizens:** Due to the fixed income of many residents sixty-two (62) years of age and over, the agency may establish senior adult fees.

**Youth:** Reduced fees may be established for youth sixteen (16) years of age or younger.

**Special Agreements:** It may be necessary to give specific organizations a waiver or discount based on a special agreement that benefits our Agency. A school use agreement is an example.

## **2. PRIME TIME RATES**

Fees and charges may be increased during prime times of the day, week, month or year. Prime time pricing is used to:

- Control or limit use during periods of high demand or potential overuse, and
- Encourage use during periods of low demand or under use.

Generally, for other than highly individual and mostly individual category programs, the increases shall not exceed the direct and indirect cost of providing services.

## **3. DISCOUNT PROGRAM**

The Agency recognizes that individuals and families may be unable to financially afford fee-based services but still desire the opportunity to experience a broad spectrum of leisure activities. To ensure fee-based leisure opportunities are available to all, the department offers a scholarship program based on the participants enrollment level in the school's free or reduced lunch program.

## **4. WAIVERS**

The Director of Parks and Recreation is authorized to waive or discount fees and charges when such action is determined to be in the best interests of the Agency or City.

## **C. DETERMINING FEES AND CHARGES**

Fees and charges will be determined through the following process:

1. Determine the direct costs of providing the service/program (includes materials, hourly staff time, transportation, equipment, any special fees such as admission tickets, etc.)
2. Add an administrative fee of up to 7.5% of all expenses.
3. Determine the appropriate Service Level classification and calculate the fees or charges using the appropriate cost recovery guideline.
4. If warranted, make adjustments to the fee or charge as outlined. No fee increase shall be more than 10% in one year.
5. Identify the market rate or current fee being charged for similar services. This evaluation is conducted to ensure the recommended fees do not significantly vary from the rates being charged by other entities for similar services.
6. Consider inflationary factors for services.
7. Consider any budgetary mandates that may affect the fee/charge setting process.

## **SECTION V: OTHER REVENUE SOURCES**

### **A. CONTRACTUAL OR VENDOR PERMIT REVENUES**

The agency is authorized to issue concessionaire or vendor permits to qualified individuals, groups and businesses. The purpose of these permits is to enhance visitor enjoyment when using agency facilities and to generate revenue for the agency. Permits may be issued for the following goods and services:

1. Food and beverages

2. Certain amusement equipment and inflatable apparatus as approved by the Director
3. Other goods and services as approved by the Director

## **B. GIFTS AND DONATIONS**

A gift or donation to the agency may be either cash for a specific item, or the item itself. The agency will make every effort to honor the wishes of the contributor; however, there may be instances where receipt of the intended donation is not in the best interests of the agency. In such cases, the agency may decline acceptance. If the contribution does not cover the entire cost, the money will be accumulated toward the purchase of that item. If additional contributions are not made to purchase the item, the donor may either select an alternate gift or have the Agency determine where the donation may be best used.

## **C. GRANTS**

Professional staff of the agency may investigate the possibilities of securing a grant or outside funding sources for agency facilities and programs. All agency grant applications must be reviewed and approved by the Director. Depending upon the grant amount, formal acceptance by the Mayor and City Commission is required as defined by City Policy.

## **D. MANAGEMENT AGREEMENTS**

Management Agreements are negotiated and awarded for the complete operation of a special facility. This type of agreement is instituted when agency operation(s) of the facility is either cost prohibitive or is not cost-effective; or when the operation(s) require a level of expertise beyond the capabilities of agency staff. The agency receives a percentage of the gross receipts and/or a minimum monthly rental rate. The length of terms and conditions of renewal may vary.

## **E. SPONSORSHIPS**

Staff pursues corporate and other sponsorships of events, programs and facilities on an on-going basis. These arrangements may involve the donation of funds, volunteer time, equipment, supplies, services or labor by the corporate sponsor in return for name recognition of that sponsor's contribution and involvement.

The decision of whether or not to enter into a sponsorship agreement shall always depend on the Agency's philosophy, leisure needs of the community and the best interests of the City. Generally, sponsorships will be solicited through established programs or campaigns. Major individual, non-recurring, or "one-time" sponsorships, such as the title sponsorship for an event or facility will be reviewed and approved by the Director of Parks and Recreation.

## **F. MARKET FEE ANALYSIS**

The Agency regularly conducts a market analysis that incorporates price points of other service providers when determining pricing. This market analysis is taken into consideration and is a determining factor when setting Agency fees and charges. As with all Agency policy decisions, service levels will be determined through staff, board and citizen input.

# SALINA PARKS & RECREATION COST RECOVERY PYRAMID MASTER PROGRAM LIST

## 1. Community Benefit (0 -25%)

- Community Wide Special Events
- Parks and Trails
- Free Play

## 2. Community /Individual Benefit (26 -50% Cost Recovery)

- Therapeutic Recreation Classes /Camps
- Workshops
- Shelter Reservations

## 3. Individual /Community Benefit (51 -75% Cost Recovery)

- Youth Athletic Leagues
- Youth Instructional Classes
- Educational Classes or Trips
- Youth Camps /Clinics
- Therapeutic Recreation Trips
- Fitness Classes
- Center Reservations

## 4. Mostly Individual Benefit (76 -100% Cost Recovery)

- Special Interest Classes or Programs
- Recreational Trips
- Adult Athletic Leagues /Tournaments
- Center Reservations

## 5. Highly Individual Benefit (100%+ Cost Recovery)

- Competitive Tournaments
- Competitive Team / League Activities
- Destination Trips
- Party Rentals
- Golf Course Operations
- Kenwood Cove Operations