



SHORELINE PARKS, RECREATION AND CULTURAL SERVICES

COST RECOVERY / FEE SETTING FRAMEWORK

FINAL

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SHORELINE PARKS, RECREATION AND CULTURAL SERVICES

COST RECOVERY / FEE SETTING FRAMEWORK

1) Introduction

The property tax levy passed in 2010 provides funding to preserve safe, well maintained parks, playgrounds, playfields, restrooms, play equipment, soccer and baseball fields, the Shoreline pool, and recreation programs for youth, families, and seniors. However, fees are also necessary for some services and programs to provide financial support to Shoreline Parks, Recreation and Cultural Services (PRCS) for the operation and maintenance of programs, facilities, and park grounds. Revenue from fees covers just part of what it costs to operate and maintain the park system.

Recognizing future challenges to the City budget, in 2014 the City Council formed a Subcommittee to develop a 10Year Financial Sustainability Plan (10 YFSP). The purpose of the 10 YFSP is to strengthen Shoreline's economic base by identifying options to balance revenues with costs.

Staff developed a 10 Year Financial Sustainability Model (10 YFSM) for revenues. They also developed a model for Shoreline's core and quality-of-life services (costs). Over six meetings during the first quarter of 2014, the Subcommittee:

- Discussed the challenges to sustainability;
- Analyzed the City's financial forecast, base scenario, and various economic development, revenue and expenditure strategies;
- Reviewed the City's core and quality-of-life-services;
- Developed preferred alternative strategies; and,
- Finalized recommended alternative strategies for the City Council to consider.

More detailed information on the 10 YFSP is available at <http://shorelinewa.gov/government/departments/administrative-services/ten-year-financial-sustainability-project>.

Staff is now working on one of the highest priority strategies identified in the 10 YFSP which is the completion of a detailed cost recovery study in 2015 that could lead to an implementation strategy in 2016.

PRCS, working with the Administrative Services Department's Budget Office, has developed an approach to this project with three parts:

1. Reviewing cost of providing services.
2. Establishing cost recovery guidelines.
3. Determining price setting protocols.

The purpose of this review and report is to develop a framework for setting fees for Shoreline PRCS that incorporates the City's values for providing parks and recreation services.

- Establish a consistent and equitable framework for setting prices for parks and recreation programs, services and facility use
- Balance community benefit with financial sustainability
- Respond to the City's 10 Year Financial Sustainability Plan

2) Current Revenue from Fees

In 2014 PRCS collected \$1.6 million from various fees. This accounted for 34% of the department's total expenditures. While department-wide PRCS recovers 34% of its costs from fees there is substantial variability across program areas. The discussion below outlines many of the complications inherent in calculating cost recovery and establishing fees.

3) Background

a) Legal Context

Fees are necessary to provide financial support to PRCS for the operation and maintenance of programs, facilities, and park grounds. The revenue generated by these fees constitutes only a portion of funds required for operating and maintaining the park system. Fees collected from park and recreation activities and concessions support park and recreation purposes.

i. Fee Schedule

PRCS proposes fees each year as a part of the City's budget process. The City Council reviews and, by ordinance, authorizes PRCS to collect these fees. The Park and Recreation Fee Schedule (SMC 3.01.300) lists each fee and charge PRCS is authorized to collect. It is adopted by ordinance and published each year. The full Fees Schedule can be viewed at:

<http://www.codepublishing.com/WA/Shoreline/cgi/menuCompile.pl#a3x01x300>

ii. Fee Waivers/Reduction Authority

The Director is authorized, as provided in Shoreline Municipal Code (SMC) 3.01.300(C) to modify concessions/admission/sales fees. SMC3.01.800 authorizes the City Manager or her designee to waive facility use fees and concessionaire permits and meeting room fees as a City contribution toward events which serve the community and are consistent with adopted City programs.

iii. **New, Experimental and Promotional Fees and Charges**

There is not a provision for establishment of new, experimental or promotional fees outside of the City Council budget approval process.

b) Fee Setting Process

Proposals for new fees and charges or changes to existing fees and charges are typically developed by PRCS program staff in cooperation with Administrative Services Department (ASD) budget staff. After review by ASD and a decision by the City Manager to support a new fee or changes to existing fees, the proposal is submitted to the City Council in the Fee Ordinance as part of the budget proposal. If the City Council adopts a new fee or changes an existing fee, that change is reflected in the Fees and Charges Schedule.

There are more than 70 different fees and charges listed in the Schedule (SMC 3.01.300 and 3.01.310). Diverse uses such as picnic table rentals, dance room rentals, and shower use are each assigned different fees. Each fee has also a resident and non-resident amount associated with it.

4) Best Practices Research

It is common practice across the country for park and recreation agencies to collect fees and charges for services. There is no universal method to identify activities for which to charge fees, or to determine what fees to charge. Other jurisdictions take various approaches to addressing equity and access, and vary in their use of cost recovery and allocation in fee setting. Market factors are important in relation to commercial activities allowed on publicly owned park property.

a) Pros and Cons to charging for services

Park and recreation agencies historically did not collect fees, and some park and recreation professionals still believe that few or no fees should be charged. Park and recreation facilities have been viewed as basic services that ought to be provided free of charge. Current economic reality has altered that perspective, and fees are now common practice.

Common arguments against fees include:

- 1) Park and recreation services meet a basic human need;
- 2) Park agencies provide services to those who often cannot afford any alternative;
- 3) It looks like double taxation to charge for something that tax dollars already support; and,
- 4) Charging fees makes the programs and facilities appear more commercial and driven by a profit motive.

Common arguments in support of fees include:

- 1) Fees provide some amount of cost recovery for providing the facility or service;
- 2) Revenue can be used to enhance the facility or program;
- 3) Fees can be used to spread the use of the facility or program to avoid congestion;
- 4) Fees are paid by those directly benefiting from the service;
- 5) Fees alleviate competition with the private sector that may be impacted by free public competition; and,
- 6) Fees – even small ones -- tend to make people value a program or service more than if it is free.

b) Other Jurisdictions

There are a variety of approaches taken by other jurisdictions in setting fees. Most jurisdictions appear to have a wide range of fees and no set policy for how those fees should be set. Typically, staff develops proposals for fees and charges; some are reviewed by a citizens' Board of Park Commissioners and then approved by an elected City Council. In some instances the City Council delegated authority for setting fees to the Department. Numerous jurisdictions established goals for recovering costs through fees and charges collected by their park and recreation agencies.

The following summary is not intended to be exhaustive, but to highlight interesting examples of different approaches to fees and charges.

In Everett, the City Council adopted their Parks Department's Cost Benefit Policy in 2007; it included policy direction to meet cost recovery goals and stated that fees ought to be lower for uses that provide community benefits and higher for uses that provide individual benefits. The Department is authorized to set fees after consultation with the Park Board of Commissioners and notification to the City Council. They are authorized to set resident and non-resident fees and prime and non-primetime fees.

Seattle completed a thorough assessment of fees setting procedures and adopted a Fees and Charges Setting Policy that identifies cost recovery ranges for each program it offers. It identified five steps from 0% to 110% of cost recovery based on whether a program benefits the community or individuals. It also established a process involving staff, the Park Board, the Mayor and City Council for setting fees. Allowances are made for market based fees.

Spokane revised its Cost Recovery Policy in 2012. Their policy establishes cost recovery goals for various types of programs ranging from 25% for aquatic programs to 185% for personal interest programs. The Spokane Board of Park Commissioners reviews fees proposed by staff.

The Portland, OR City Council adopted Parks and Recreation cost recovery goals in 2004, establishing cost recovery goals for direct and total cost recovery depending on the income level of the neighborhood surrounding the facility. Portland City Council

established cost recovery goals of 100% for adults, 42% generally for youth and 23% for youth use of facilities in low income neighborhoods.

5) Establishing Cost Recovery Guidelines

There are multiple purposes for charging fees, including generating revenue, managing facility reservation systems and maintaining control over PRCS operated sites and facilities. Park and recreation facilities and services are, in most jurisdictions, supported to some extent by general tax revenues. Given that general tax revenues are collected from the community as a whole and allocated to support park and recreation facilities and programs, there is a reasonable expectation on the part of citizens that they will be provided some level of service at no charge.

The value a community places on a program can be measured by the level of tax revenue it is willing to allocate to support that program. The more a community values a program the more tax revenue it will allocate to support it. The fees paid by individuals for a program measure the individuals benefit associated with a program. The combination of the community benefit (taxes) and the individual benefit (fees) is the overall benefit of a program. If a program does not provide enough community benefit to warrant tax support, and it does not benefit individuals enough that they are willing to pay fees to support it, then the program ought not to exist. It is the trade-off between community benefit and individual benefit that, while difficult, is important to assess.

There is a great deal of community benefit in the existence of pools and community centers. Overall, we would not expect these facilities to be fully supported by fees and charges.

Within the community centers and pool, however, there are programs that benefit individuals at different levels. The community benefits when people know how to swim and have access to pools for health and fitness activities. Individuals benefit personally through improved health and increased quality of life.

Competitive swim teams provide a great deal of benefit to the individuals who participate, but provide much less benefit to the overall community. Use of the pool or community center room for a retirement party is solely for the benefit of the individual since the rest of the public is excluded.

These different types of use and activities demonstrate the range of benefits between community and individual. People using the pools to learn to swim would pay a lower percentage of the cost of operating the pool than people participating in swim team or having a retirement party..

i. Community Benefit or Public Services

These are services that are provided to the general public without restriction and/or benefit to the general public. Open park land, open community centers, playgrounds, and trails are examples of public services for which NO FEE would be charged. Everett has established a cost recovery goal of 0-25% for programs that fall in this category; Seattle established a target of 0-10%.

ii. Community/Individual

This category includes programs and facilities that have some benefit exclusive to individuals or individual organizations, but also have significant benefit to the community and general public. These include special events, youth recreation leagues, children's and youth classes, youth drop-in activities, youth theater programs, and many programs for seniors and people with disabilities. Everett has established a cost recovery goal of 25 - 50% for programs that fall in this category. Seattle established a target of 10-50%.

iii. Individual/Community

The programs and facilities that fall into this classification have strong benefits to both the community and the individual person or organization. Swim lessons, after school programs, adult drop-in programs, advanced youth programs, facility rentals by non-profits for fee based programs open to the public, and introductory adult programs. Everett has established a cost recovery goal of 50 - 75% for programs that fall in this category. Seattle established a target of 40%-80%.

iv. Mostly Individual

As the title suggests, this category encompasses those programs and facilities that provide some level of benefit to the general community but most of the benefit is accrued to the individual. This would include intermediate and advanced adult classes, and adult recreation leagues. Everett has established a cost recovery goal of 75%-100% for programs that fall in this category. Seattle established a target of 70%-110%.

v. Highly Individual or Private Services

These include programs and facility uses that have minuscule or no benefits for the general public, and are for the almost exclusive benefit of the individual. These include room rentals for private parties, elite youth and adult sports, private instruction, and facility rentals by for-profits for fee based programs. Everett has established a cost recovery goal of 100 – 125% for programs that fall in this category. Seattle established a target of 90% or more.

i. Criteria

A series of questions helps understand and apply a set of criteria for determining where a program or activity falls between fully serving the community and fully serving an individual:

- Is access limited by membership, invitation or registration requirements?
- Is access to a facility limited by the activity?
- Is the activity of general interest to the community or individuals?
- Is access limited because a high skill level is required?
- Is the activity intended to support a special population?
- Does it support a City Council Goal or Initiative?

Attachment 1 describes the criteria used for determining whether a program is more community benefit or more individual benefit.

The programs and services categories can be assigned a cost recovery guideline range based on the criteria outlined in Attachment 1. The result of that analysis is presented in Table 1.

Table 1: Cost Recovery Guidelines by Program Area

Community Benefit	Community /Individual	Individual/Community	Mostly Individual	Highly Individual
<i>0-30% Cost Recovery</i>	<i>20-50% Cost Recovery</i>	<i>40-70% Cost Recovery</i>	<i>60-90% Cost Recovery</i>	<i>80-110% Cost Recovery</i>
<u>Drop-in</u> – Pre-school <u>Drop-in</u> – Youth and Teen <u>Open space</u> <u>Parks</u> <u>Playgrounds</u>	<u>Class</u> – Pre school <u>Class</u> – Specialized Recreation <u>Class</u> – Youth and Teen <u>Drop-in</u> – Family <u>Event</u> – Public, No charge <u>Rental</u> – Public, No charge	<u>Camps</u> – Specialized Recreation <u>Camps</u> – Teen Development <u>Class</u> – Adult <u>Drop-in</u> – Adult <u>Community Garden Plot</u>	<u>Camps</u> - General Purpose Children’s Camps <u>Class</u> – Specialized training <u>Rental</u> – Youth	<u>Rental</u> – Indoor, Private <u>Rental</u> – Outdoor, Private <u>Rental</u> – Fields, Private <u>Rental</u> – Picnic Shelter

6) Price Setting Methods

Cost recovery guidelines are just one factor to be considered when setting fees. There are a myriad of ways to set the price for that program or facility. Each program and each category of cost recovery may require a different method for setting the actual fee to be charged.

i. NO FEE

Some programs and facilities may be identified as not warranting fees or charges of any type. The community benefit is so significant that consideration of fees is not warranted.

ii. Demand (Peak Load) Pricing

Prices are set to be higher during times of peak demand and use. This may be used for facilities or programs that have variable demand over time. For instance, soccer fields are in high demand on weekday evenings but in less demand on Friday evenings and weekends. Picnic shelters have variable demand through the year that may justify a demand based pricing structure. That variability may lend itself to a variable pricing structure. SMC 3.01.300(A)(5) allows a discount field rate to be offered for synthetic fields during hours of low usage as established and posted by the PRCS Director.

iii. Market Based (Comparative Rate) pricing

A scientific survey is conducted of competitive businesses, and the price is set based on what others in the marketplace are charging. It may be based on all other recreation service providers, or just on those of other public parks and recreation agencies. This is the most common price setting method. SMC 3.01.300(F) states Aquatics and General Recreation programs fees are based upon market rate.

iv. Loyalty Program

This price would reward frequent facility or program users by offering a reduced rate or “volume buying” discount. SMC 3.01.300(D) offers a discount to youth and adults wishing to purchase a drop-in 10-punch card or 3-month pass.

v. Full Cost Recovery

This requires a calculation of the full cost of providing a service or facility and setting prices to recover those costs averaged across the anticipated users. Full cost recovery would include the cost of the capital outlays to construct and maintain the facility, the indirect administrative costs for operating and maintaining the facility (offsite management, accounting, purchasing systems, etc.), and the direct costs associated with the program or facility (on-site instructors, utilities, maintenance, etc.).

- 1) Direct costs: Fees would be set to recover the direct costs associated with the program or facility. For example, this could be the actual cost of the instructor and supplies required for the program.
- 2) Indirect Operation Costs Included: In addition to the “Direct Costs” noted above, this would include overhead expenses such as custodial and utilities. These are daily costs required to keep the doors open.
- 3) Capital costs: Costs associated with the construction and long-term maintenance of a facility would be included in full cost recovery.

vi. Partial Cost Recovery

This could mean anything less than full cost recovery. Costs would be calculated and prices set to recover a certain subset of costs.

- 1) Direct costs only: Fees would be set to recover only the direct costs associated with the program or facility.
- 2) Indirect Operation Costs Included: Some types or level of indirect costs may be included in partial cost recovery.
- 3) No capital costs: Costs associated with the construction and long-term maintenance of a facility would be excluded from the fee setting method.

vii. Social Benefit (Differential) Pricing

Prices are set differentially based on a set of social goals. For example:

- 1) Participant group: Lower fees for youth and senior citizens, higher for young adults,
- 2) Commercial enterprise status: Lower fees for non-profit entities, higher for for-profits,
- 3) Location of program or facility: Lower fees for people in low income neighborhoods, higher in high income neighborhoods.

viii. Tradition Pricing

Prices are set based on tradition and historic precedent.

ix. Ability to make coin change

Frequently fees are set to allow the cashier to make coin change with few errors and increased speed. For example, at swimming pools, all fees are divisible by \$.25. This allows for speed in transactions which is critical when 100 people are all trying to pay for a one hour swim. The lockers at pools accept quarters so this is an ongoing source of change for basic operations.

x. Scholarship/Discount Pricing Option

Prices are set based on Full Recovery or are market driven, yet scholarships or discounts are available to citizens who need reduced pricing alternatives. This process recognizes that for some programs or facilities, the uses benefit primarily an individual. However, there is a community benefit to giving access to the program or facility to those who may not be able to afford its cost. In those instances a process for awarding a scholarship or offering a discount price is appropriate.

- a. Scholarship (for example, day camp fees)
- b. Reduced prices (for example, youth swim fees)
- c. Fee reduction (for example, facility use for community groups)

Price Setting Protocols are one way to provide: 1) guidance for staff in developing price proposals, and 2) a mechanism for decision-makers to use in understanding, reviewing and adopting prices (Table 2).

Table 2: Price Setting Options

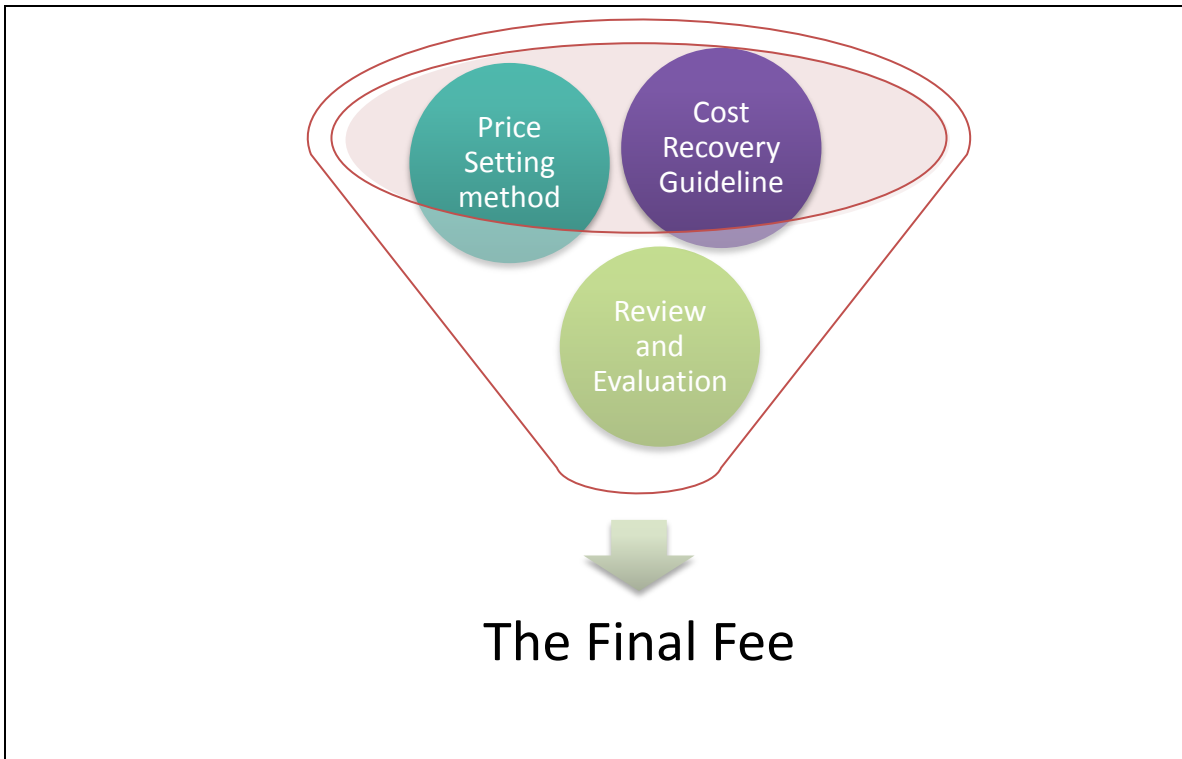
	Price Setting Options
Community Benefit	<ul style="list-style-type: none"> • Establish as a NO FEE Program or facility • partial cost recovery • social benefit • scholarship/discount • tradition pricing
Community/Individual	<ul style="list-style-type: none"> • partial cost recovery • social benefit, scholarship/discount • tradition pricing
Individual/Community	<ul style="list-style-type: none"> • partial cost recover • social benefit, scholarship/discount • tradition pricing, peak pricing • demand (peak load) pricing
Mostly Individual:	<ul style="list-style-type: none"> • Market based • full cost recovery • peak pricing • demand (peak load) pricing
Highly Individual or Private Services:	<ul style="list-style-type: none"> • Market based • full cost recovery, peak pricing • demand (peak load) pricing

7) The Fee Setting Framework - Summary

The Fee Setting Framework consists of

1. Establishing the cost recovery guidelines
2. Using the appropriate price setting strategy to determine a fee proposal
3. Reviewing and evaluating the effect of the fee on the customer and service provided
4. And then determining the Final Fee.

Fee Setting Framework



Attachment 1

Community versus Individual Benefit Assessment Criteria

Membership/Invitation/Registration Requirement In order to participate in this activity do I have to be a member of a group, have an invitation, or pre-register?	High individual benefit	Yes, I am a member; Yes, I have an invitation.
	Moderate individual and community benefit	Yes, I am pre-registered. I'm not a member nor am I pre-registered, but I am welcome as a guest of someone who is.
	High Community benefit	No, I do not need an invitation. No, I do not need to be a member. No, I do not need to register.

<p>Is the space used for rental or a program that is open to others?</p> <p>While the facility is rented to someone else or a program is in session, I can walk through the buildings or adjacent areas without intimidation.</p> <p><i>The swimming pool is available for multiple activities at the same time.</i></p> <p><i>A privately sponsored free concert versus a ticketed sporting event.</i></p>	High individual benefit	Closed - Others are not allowed in the area while activity is happening
	Moderate individual and community benefit	Ok for others to be in the area but it is discouraged
	High Community benefit	Open and welcome for anyone to walk through

Special Interest	High individual benefit	Very special interest – few participants
Is this activity something of general community interest that a lot of people participate in?		
Does the average person understand how to do this activity, or do very few people ever learn how?	Moderate individual and community benefit	Moderate level of interest
<i>Fencing class versus youth swim lessons</i>		
	High Community benefit	General interest - lots of people participate

Skill Level Is his program designed to teach me a lifelong skill? Do I have to know or be proficient at something to participate in the program? <i>Select soccer versus recreational soccer</i>	High individual benefit	High level of existing skills necessary
	Moderate individual and community benefit	Moderate skill level required
	High Community benefit	No skills required – entry level activity

Supports a targeted population (youth, seniors, special populations) Is the program or target audience for a rental focused on youth, seniors or special populations? (Refers to those who receive reduced fees and/or are eligible for scholarships in particular)	High individual benefit	No. Does not support a target population.
	Moderate individual and community benefit	Some association, but does not really support.
	High Community benefit	Yes. High level of support.

Supports a Council Goal or Initiative

Goal 1: Strengthen Shoreline's economic Base	High individual benefit	Not at all
Goal 2: Improve Shoreline's utility, transportation, and environmental infrastructure		
Goal 3: Prepare for two Shoreline light rail stations Goal 4: Enhance openness and opportunities for community engagement	Moderate individual and community benefit	Indirectly
Goal 5: Promote and enhance the City's safe community and neighborhood initiatives and programs		
Maintain a high level environmental stewardship as demonstrated in the Urban Forest Strategic Plan for example	High Community benefit	Directly

Category	Membership/ Invitation/ Registration Requirement	Open to Others	Special Interest	Skill Level	Supports a targeted population (youth, seniors, special pops)	Supports a Council Goal	Public Benefit Score	
Rental - Indoor, Private	0	0	0	0	0	0	0	80-110%
Rental - Outdoor, Private	0	2	0	0	0	0	2	80-110%
Rental - Field, Private	2	2	0	0	0	0	4	80-110%
Rental Picnic Shelter	0	2	0	0	0	0	2	80-110%
Camp - General Purpose	1	0	1	4	2	1	9	60-90%
Class - Specialized training	2	2	1	1	0	2	8	60-90%
Rental - Youth	3	2	0	0	4	0	9	60-90%
Camp - Specialized Recreation	1	0	1	4	4	2	12	40-70%
Camps - Teen Development	1	0	1	4	4	2	12	40-70%
Class - Adult	3	0	1	4	0	2	10	40-70%
Drop-In - Adult	4	1	1	2	0	2	10	40-70%
Community Garden	2	4	0	4	0	4	14	40-70%
Class - Specialized Recreation	3	0	4	4	4	2	17	20-50%
Class - Pre-school	3	0	2	4	4	2	15	20-50%
Class - Youth and Teen	3	0	2	4	4	4	17	20-50%
Drop-In - Family	4	1	4	4	4	2	19	20-50%
Event - Public, no charge	4	4	3	4	0	4	19	20-50%
Rental - Public, no charge	4	4	3	4	0	4	19	20-50%
Drop-in - Pre-school	4	1	4	4	4	4	21	0-30%
Drop-in - Youth and Teen	4	1	4	4	4	4	21	0-30%
Open Space	4	4	4	4	1	4	21	0-30%
Parks	4	4	4	4	1	4	21	0-30%
Playgrounds	4	4	4	4	4	4	24	0-30%