

PARKS, RECREATION, AND  
COMMUNITY SERVICES AGENCY  
**SERVICE AND FINANCIAL  
SUSTAINABILITY STUDY**  
DRAFT - SEPTEMBER 2020





# ACKNOWLEDGEMENTS

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## EXECUTIVE SUMMARY

As a publicly financed park and recreation system, the City of Santa Ana Parks, Recreation, and Community Services Agency (PRCSA or Agency) provides a basic level of services (such as social services) for the benefit of the community in exchange for tax dollars. Fees and charges and other methods to recover costs are considered a responsible and necessary means to supplement tax revenue to meet community demand; however, not at the expense of some of its most critical programs for the most at-risk populations. Cost recovery is not a philosophy; it is a strategy in the much larger context of securing and allocating resources that allows Santa Ana to maximize services.

In an effort to continually improve and enhance services and overall organizational effectiveness, PRCSA staff and community members participated in a comprehensive and extensive process to address financial sustainability through the creation of a Resource Allocation and Cost Recovery Philosophy, Model, Policy, and a Services Assessment. This process and its outcomes will serve to guide PRCSA in evaluating service provision strategies to ensure they are running at optimal levels, and the system is sustainable in the long run.

All of the components of the process, through a review and assessment of services, programs, and facilities, directly influenced recommendations for the development of tax investment allocation and cost recovery goals that inform future pricing strategies. The transforming process also included a market study, a consideration of alternative providers, service provision strategies, and programming methodologies. This report documents the concepts, process, and outcomes and will serve as a staff training tool as new staff come on board.

### THE URGENCY FOR SANTA ANA

Santa Ana is a high-density community that relies heavily on city services and facilities. The parks system is heavily used, which reduces the useful life of facilities and increases the cost of maintenance. The recreation programs are in high demand, which require staffing and contracted services to adequately deliver and manage programs. Various services have a fee associated that covers the cost of the service; however, in most cases, the services are subsidized or free. The Agency in general requires a process by which it can sustain itself for the long-term, especially important during, and after, the current health pandemic as there will be a shortage of tax revenue. With the scarcity of resources, the PRCSA needs to review existing processes and services to determine its future and how best to proceed.

The PRCSA has a commitment to its core services that includes a robust system of parks and recreation centers. It must support these core facilities while maximizing revenues to offset the cost of services that take place within them and other sites. This process seeks to implement a practice that will result in organizational sustainability through a logical resource allocation model and pricing strategies.



## WHAT THE PROJECT ENTAILED

Team Members attended an initial orientation and training workshop in May 2019. This was followed by additional workshops with intensive staff work that was guided by the consultant team preceding and following each successive workshop. Team Members worked throughout to understand, gather and interpret data, discover shortcomings and opportunities, engage with the public, sort services to represent community values, and strategize appropriate and fitting policy and procedures. The final step concluded with the development of recommendations.

In order to develop recommendations, staff identified key issues by reviewing existing policy, guidelines, and practices, becoming familiar with the Pyramid Methodology, and examining current resource allocation and cost recovery practices. Staff defined categories of programs and services, participated in sorting workshops to place categories of services on appropriate pyramid tiers, hosted community workshops, and discussed the challenges with identifying measurable costs associated with providing programs and services. In addition, they completed a Services Portfolio using a Services Assessment Matrix which was used to perform a market analysis. This allowed staff to answer a series of questions used to determine the most advantageous ways of delivering each of the services offered.

## THE POWER OF ENGAGEMENT

A series of five community workshops was hosted by the PRCSA on July 8 and 9, 2019, at the Garfield Community Center and Southwest Senior Center to gather feedback. Through this opportunity, seventy-four community members each contributed one and one-half hours of their time to deliberate with fellow citizens by participating in an activity where they shared their perceptions regarding the balance of the community and individual benefits received from programs and services provided by the PRCSA. This approach generated 111 hours of meaningful volunteer contribution, and in the end, allowed participants to gain a better understanding of their fellow citizen's views and community perspectives.



Using feedback from the community allows staff to confidently set a program's cost recovery goal relative to the amount of community benefit a category of service provides. Programs and services considered to have a high community benefit will have a lower cost recovery, while programs and services considered to have higher individual benefits will be recommended for higher cost recovery.

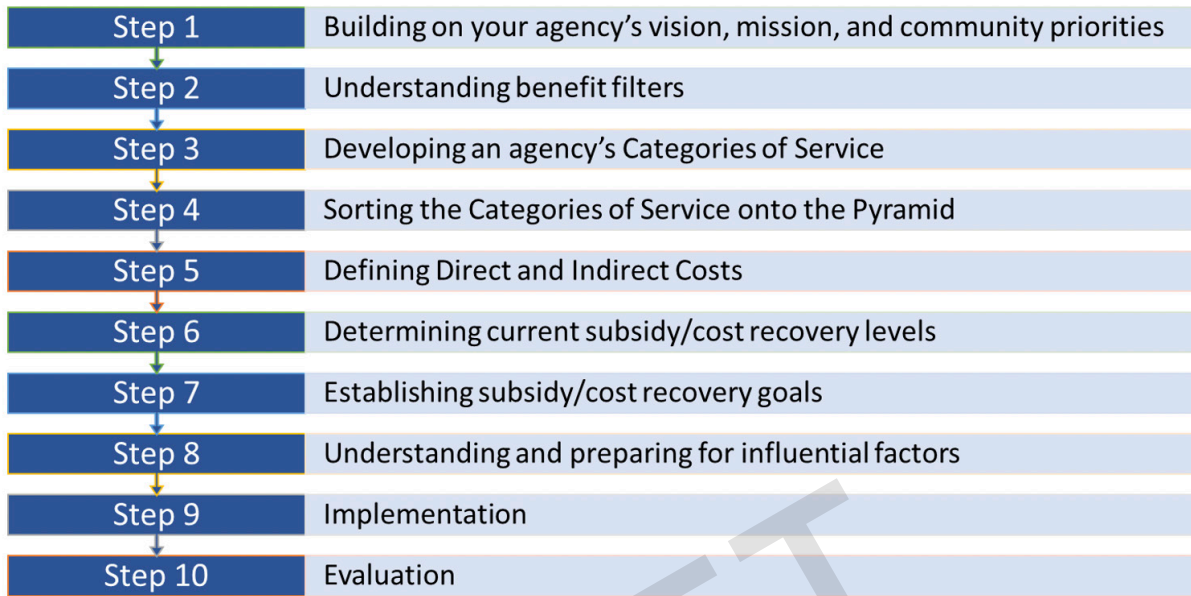
## HOW THE PYRAMID MODEL WORKS

The Cost Recovery Pyramid Model is intended as a framework for community and agency discussion. It is very dependent on community values to determine what programs and services belong on each level of the pyramid. Cultural, regional, geographical, and resource differences, as well as challenges facing each community, play a large role in this determination. The resulting pyramid is unique to each agency that applies the methodology. Descriptions regarding each level of the pyramid are provided in the main document; however, **Figure 1** represents steps involved in the application of the model. The resulting PRCSA Cost Recovery Pyramid Model is shown in **Figure 2**. The model promotes a pricing approach based on establishing fees commensurate with the benefit received by the individual or individual group partaking of any activity or facility. Recognizing residents may have financial challenges, the model includes the provision of assistance for those in need so as not to provide a barrier to participation.





**Figure 1: Pyramid Model Application**



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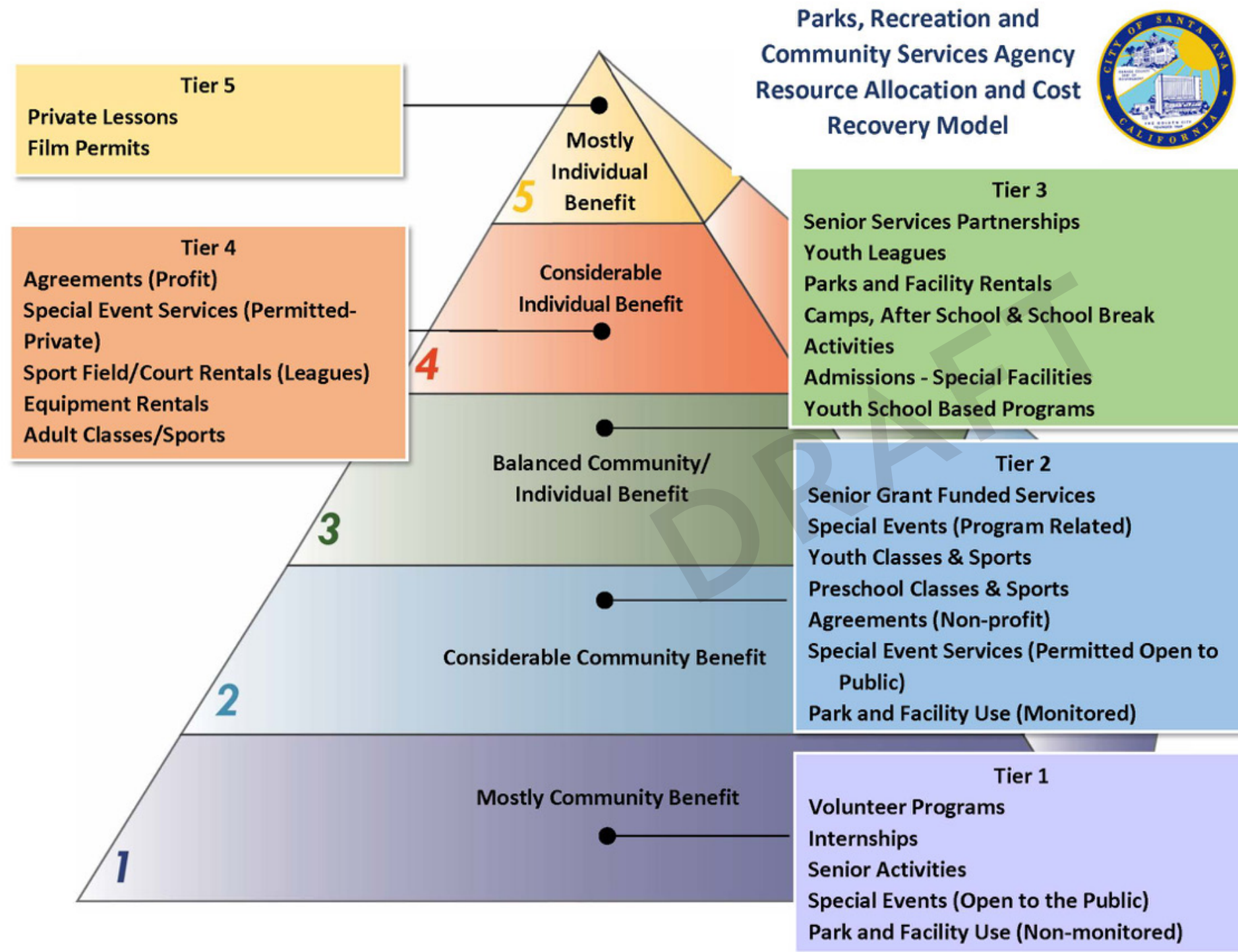
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Figure 2: PRCSA Cost Recovery Pyramid Model



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## HOW THE SERVICES ASSESSMENT METHODOLOGY WAS APPLIED

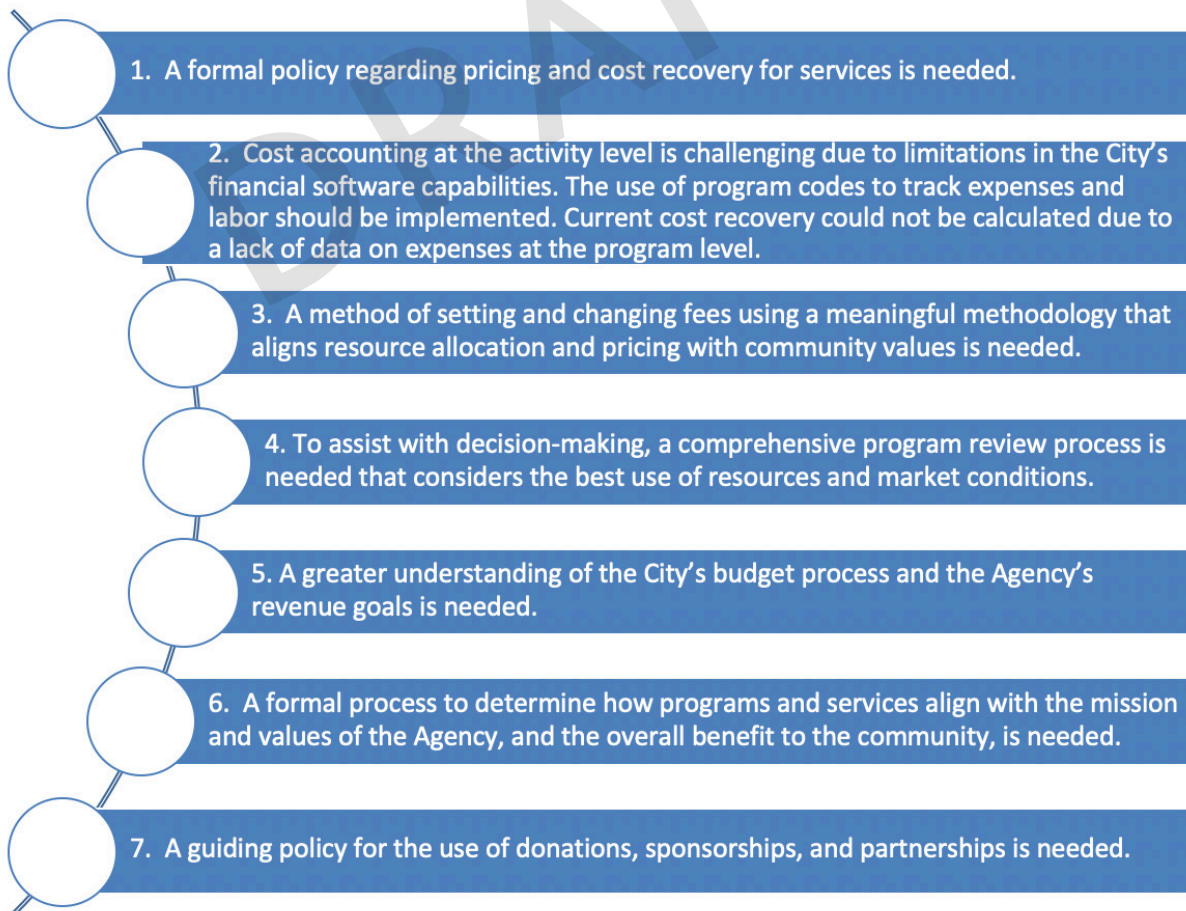
The Public Sector Services Assessment, adapted from the MacMillan Matrix for Competitive Analysis of Programs<sup>1</sup>, is an intensive review of organizational services resulting in recommended provision strategies that range from affirming or advancing market position, to enhancing service through investment, collaboration with others, and reducing or eliminating service. Santa Ana Team Members were trained by GreenPlay to use the **Public Sector Services Assessment** tool; to understand each service's market segment and strength or weakness of its position within that market; and to identify alternative providers, core services, and optimal provision strategies.

This assessment looks at each service in relation to the vision and mission of the PRCSA; values of the community, market position; other service providers in the area, including quantity and quality of provider; and the economic viability of the service.

## WHAT WAS LEARNED: KEY FINDINGS

The PRCSA staff are extremely dedicated to the Santa Ana community and have made an admirable effort to provide a variety of high-quality services aimed at improving the health and vitality of residents. Staff efforts can be enhanced by addressing several key findings that emerged during the study, as highlighted in **Figure 3**.

**Figure 3: Key Findings**



<sup>1</sup> Alliance for Nonprofit Management



## RECOMMENDATIONS

The primary purpose of this undertaking has been to create a justifiable, fair, and equitable process for allocating and generating the Agency's resources. Established subsidy and cost recovery levels will guide if and when fees are employed, as well as the annual adjustment of fees and charges to sustain PRCSA for the long-term.

A foundational piece of implementing the methodology is a Cost Recovery Policy Statement for consideration by City Council. The statement captures and articulates the underlying resource allocation and cost recovery philosophy to be used to apply fees and charges when desired or necessary. It does not dictate the amount of any fee. This statement is supported by the subsequent recommended detailed operational and financial strategies. It is anticipated that this policy statement be adopted by the City.

### **Recommended Cost Recovery Policy Statement**

*As a publicly financed park system, the PRCSA provides a basic level of service free to the public in exchange for tax dollars. However, fees and charges and other methods to recover costs are considered a responsible and necessary means to supplement tax revenue and regulate park use where appropriate.*

*In establishing fees and charges, the Agency will determine the direct costs of providing services and establish goals to recover those costs. The appropriate level of cost recovery will be based on an assessment of who is benefiting from the service provided. If the benefit is to the community as a whole, it is appropriate to use taxpayer dollars to completely, or primarily, fund the service. Examples of services that primarily provide community benefits are hiking and biking trails, play areas, parks, and large natural areas.*

*As the benefit is increasingly to an individual or select group of individuals, it is appropriate to charge fees for the service at an increasing rate of cost recovery. Supervised or instructed programs, facilities, and equipment visitors can exclusively use, and products and services that may be purchased, provide examples where user fees are appropriate.*

*The PRCSA shall also consider available resources, public need, public acceptance, and the community economic climate when establishing fees and charges. In cases where certain programs and facilities are highly specialized by activity and design, and appeal to a select user group, the Agency shall additionally consider fees charged by alternative service providers or market rates. Fees and charges can be set to recover costs in excess of direct and indirect costs, where appropriate, as a method of subsidizing other services.*

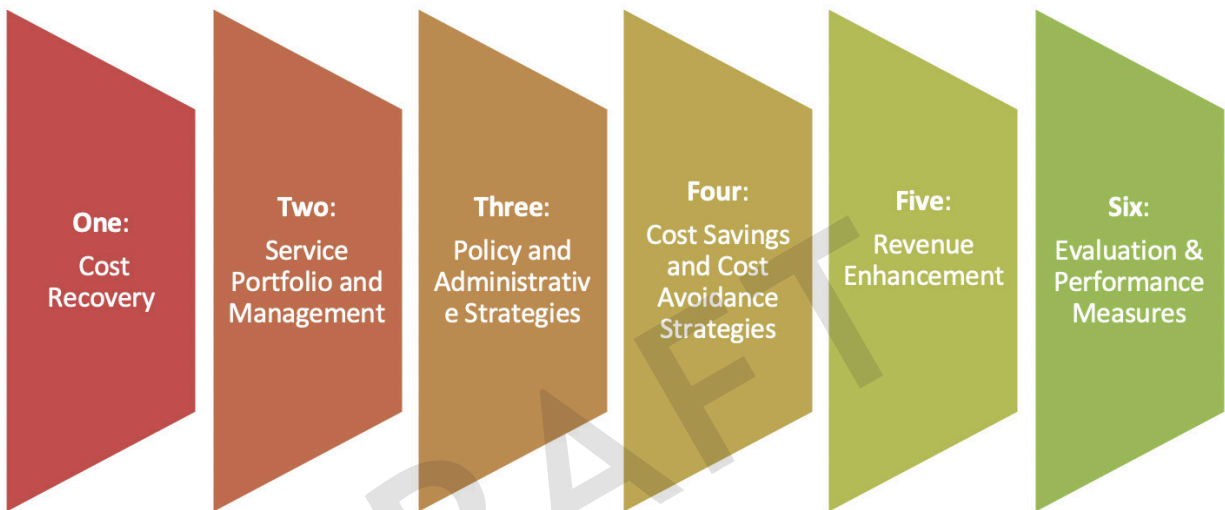
*The Agency may subsidize the cost recovery objective of services for persons with economic need or other targeted populations, as determined by policy of the City Council, through tax-supported fee reductions, scholarships, grants, or other methods. The City Council may also approve exceptional fees or fee waivers upon determination the fee arrangements will benefit the public interest.*



## SERVICES AND FINANCIAL STRATEGIES FOR SUSTAINABILITY

In order to fully implement the Services Assessment and Cost Recovery Model, strategies are supported by specific recommendations detailed in the body of the main report. As these recommendations were based on the first round of assessment, and this effort continues to be a work in progress, some recommendations will need to be reconsidered as reliable data becomes available. Detailed recommendations are provided to address the focus areas shown in **Figure 4**.

**Figure 4: Focus Areas for Recommendations**





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# I. THE STUDY CONTEXT

## INTRODUCTION

In an effort to continually improve and enhance services and overall organizational effectiveness, PRCSA participated in an extensive process to address financial sustainability through the creation of a Resource Allocation and Cost Recovery Philosophy, Model, Policy and Services Assessment. This process and its outcomes will guide PRCSA in evaluating its service provision strategy to ensure it is running at its optimal level, and the system is sustainable in the long run.

This study looks at how the community's tax investment is used to support the programs and services of the PRCSA. This is represented by a subsidy level and ultimately measured by taking the tax investment and dividing it by the cost of providing a service. It is expressed as a subsidy level percentage. What is not covered by the tax investment is often referred to as cost recovery. The measure of cost recovery is a simple equation: Revenue generated divided by the cost of providing a service, represented as a percentage. This measurement is complementary to the measurement of subsidy level.

**Cost Recovery** is a complex subject. Essentially, it represents a decision to generate revenues by charging fees, or other types of revenue, for some, or all, programs and services relative to the total operational costs to provide them. It can be controversial if not understood. Cost recovery does not imply that the target is total recovery of the cost; however, a target is established according to a variety of considerations and may range from zero percent to more than 100 percent of what has been determined to be the primary cost of providing a service.

How tax subsidy and other financial resources are allocated in public park and recreation systems is a complex subject. Cost of Service is an identification and calculation of what is required financially to produce or operate a service. Looking at how those services are funded provides the opportunity to meet the needs and desires of the community by supplementing the tax subsidy with other financial resources, which may include fees, sponsorships and donations, and/or pursuing cost saving measures including partnerships, collaborations, and efficiencies. Undertaking this study does not imply that the target is a reduction in the use of tax subsidy; however, a target is established according to a variety of considerations and may range from 100 percent tax subsidy (0% cost recovery) to zero percent tax subsidy (100% or more cost recovery) to support a particular type of service.

Establishing a well-crafted philosophy for subsidy and resource allocation is the foundation for developing strong, sustainable financial management strategies. A solid philosophy will allow staff to:

- Recognize where subsidy is being applied, and determine if it is at an appropriate level;
- Justify a pricing structure, including fees for existing and new services; and
- Evaluate service delivery mechanisms; all to maximize services to the public while assuring equity in service delivery.

The process required aligning with the City's and the Agency's mission, vision, and community priorities. It included a review and assessment of services, programs, and facilities (services); categorization of agency services based upon the level of community versus individual benefit; discussion of direct and indirect costs; and an evaluation of current pricing methods. All of the components of the process directly influence current cost recovery and tax investment allocation levels, the establishment of future cost recovery and tax investment allocation goals, and future pricing strategies and methods. The transforming process also included an analysis of core services, a market study, and consideration of



alternative providers, service provision strategies, and programming methodologies.

It has been our pleasure to assist the City and work with the Parks and Recreation Department to evolve its sustainability efforts.

## WHAT THE PRCSA PROVIDES TO THE COMMUNITY

PRCSA is responsible for delivering a variety of services to the community, which includes recreation programs, parks, libraries, and operations of the Santa Ana Zoo. The core services provided by the agency are essential in making lives and communities better now and in the future by providing access to nature, outdoor space to play and exercise, facilities for self-directed and organized recreation, positive alternatives for youth, and activities that encourage social connections, human development, and lifelong learning.

The PRCSA Recreation and Community Services Division provides over 700 recreation programs annually serving nearly 40,000 youth through summer camps, 18,000 individuals through recreation classes and 1,000 seniors through active adult programs. The Division also manages the Nature Center, two Senior Centers and eight Community Recreation Centers.

As evidenced above, the PRCSA is a large and complex operation, and Team Members take their responsibilities very seriously. The tremendous effort undertaken by Team Members to adopt and incorporate the use of the Cost Recovery and Services Assessment business tools will further support the Agency's quest for excellence.

## PURPOSE OF THIS PROJECT

Through this project, GreenPlay is assisting PRCSA in analyzing and refining its current revenue generation strategies using best practice tools, through the implementation of a more evolved pricing model (Pyramid Methodology) and Services Assessment process designed to support the Agency's values, vision, and mission. This tool brings definition, clarity, and consistency in application to the process. The model allows for a more sophisticated approach that addresses many of the issues regarding use of tax resources, costing, and setting targets for cost recovery, which were not evident in the organization prior to the project.

The comprehensive effort and approach to providing services is undertaken to introduce and implement strong "best practice" business tools to the PRCSA. Parks and recreation services are varied and make up a lot of smaller "businesses," each having their unique place in the market and appeal to the population in a myriad ways. The overall goal of the plan is to initiate and sustain practices and examine policy and rules that affect overall desired outcomes of a healthy and vibrant community.

## PROJECT APPROACH

A Project Team comprised of Team Members from PRCSA was established to review practices and existing policy, to become familiar with the Pyramid Methodology, to work with the public to understand its values, and to recommend the best cost recovery practices for the Agency. Staff defined categories

### Recreation and Community Services Division Statement Purpose:

*To deliver a wide-range of quality, community-responsive programmed and self-disciplined recreational and social experiences in safe, clean, and well-maintained public spaces*

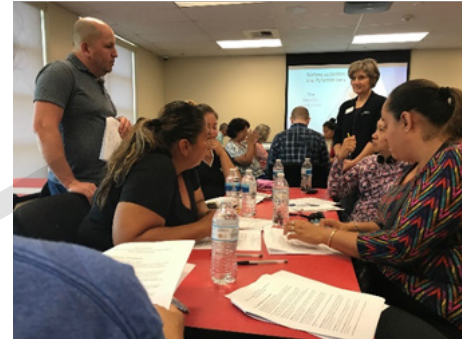


of programs and services, and participated in sorting workshops to place categories of services on appropriate pyramid tiers. In addition, Team Members responsible for program and service delivery completed a Services Assessment Matrix which was used to perform a market analysis and ultimately answer a series of questions used to determine appropriate service provision strategies.

In May 2019, Team Members attended the initial Orientation and Training Workshop. The project was accomplished through a Workshop Series, each preceded and followed with intensive work to understand, gather data, discover, engage with the public, sort, and strategize. The process concluded with the development of recommendations.

## COMMUNITY ENGAGEMENT

PRCSA hosted a series of five workshops on July 8 and 9, 2019 at the Garfield Community Center and Southwest Senior Center to gather feedback. Seventy-four community members dedicated one and one-half hours of their time to participate in an activity and discussions about balancing the community benefits and individual benefits of programs and services provided by the PRCSA.



This approach, contributing 111 hours of meaningful volunteer deliberation, allowed staff to understand which programs and services the public considers to have mostly community benefits, which ones have mostly individual benefits, and which ones have a balance of benefits in between. In the end, participants gained a better understanding of their fellow citizen's views and community perspectives.

By using feedback from the community to look at programs and services in this way, staff can set a program's cost-recovery goal relative to the amount of community benefit a category of service provides. Programs and services considered to have a high community benefit will have a lower cost recovery; while programs and services considered to have higher individual benefits will be recommended for a higher cost recovery.

## RESOURCE ALLOCATION AND COST RECOVERY PHILOSOPHY, MODEL, AND POLICY

Having a Resource Allocation and Cost Recovery Philosophy, Model, and Policy will assist in answering challenging questions from City leadership and from citizens such as:

- Are our programs priced fairly and equitably?
- How will we continue to fund PRCSA facilities and services in relationship to future budget constraints?
- Are we using funding in a responsible manner?
- Is there a methodology for the distribution of the tax investment? If so, are we transparent?
- Does the way we charge for services support Agency values, vision, and mission?

## DEFINING RESOURCE ALLOCATION AND COST RECOVERY

Resource allocation is how limited tax dollars and alternative sources of funding are utilized. Cost recovery is the amount of the annual operating budget cost that can be offset by funding other than General Fund taxpayer investment (whether derived from property, sales, or other sources).





Although fee adjustments are possible, the goal is not to simply generate new revenues through fees, but to ensure a sustainable system into the future by using tax revenues and fees in the most appropriate ways, supplemented where possible by grants, donations, partnerships, and other sources of alternative revenues. Paying taxes supports “core services,” whereas fees and charges account for activities and services benefiting individuals. Cost saving strategies are also considered. The new practices will allow the agency to allocate its resources wisely and provide valuable information for decision making and setting priorities for improvements and changes to the system.

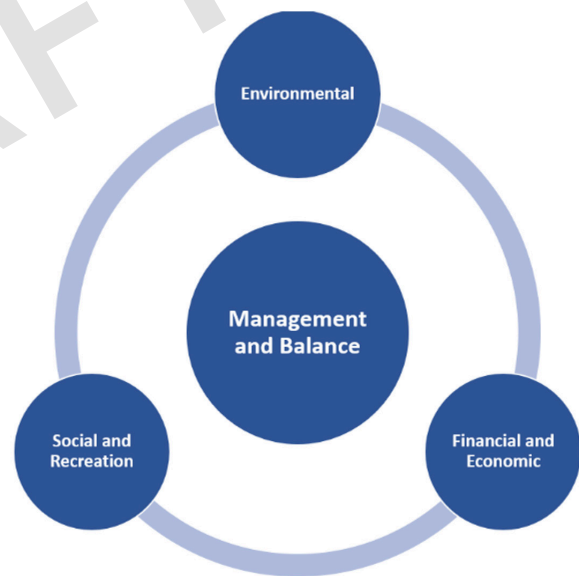
### CORE SERVICES

Core services satisfy an agency’s values and vision, typically benefiting all community members, or are seen as essential to the lives of under-served populations. It is not necessary that an individual participate in a specific recreational or cultural activity, or even step into a park setting to receive benefit. Having a nice park and trail system with trees, open space, and recreational amenities available in the community adds to home values and a quality living environment and provides opportunity for partaking in activity, as well as contributes to clean air and relief from urban density. To achieve these and other outcomes, an agency invests its tax dollars in these core services.

### A SUSTAINABLE SYSTEM

“Sustainability” is a very popular and perhaps overused word. Often, the users have in mind only one of the three basic elements of sustainability – Financial and Economic, Environmental, and Social and Recreational – making it challenging to come to any kind of consensus when others may be focusing on one of the other elements. In order to manage the system of parks and recreation, all the elements of sustainability must be balanced. The financial resources must be adequate to maintain the system into the future; the environment that we love so dearly cannot be “loved to death;” and the people must be allowed appropriate use of the system to properly connect to and understand the value represented, creating stewardship while also promoting the other benefits of physical activity and mental/emotional engagement. When all three are attended to, a dynamic, yet sustainable, system is possible.

Figure 5: A Sustainable System



### SUPPLEMENTING TAXES WITH FEES

Parks and recreation services provide value to the community as a whole in terms of economic, environmental, and social benefits. Tax dollars support these “core services.” Beyond those benefits realized by all residents, the agency is also able to provide specific activities and services benefiting individuals. There are not adequate tax dollars to completely support this level of activity, and it is appropriate and common to charge at least minimally for these services. For example, if an individual participates in a youth athletic league or a senior program, there are certain levels of skill building, social engagement, or entertainment that accrue to that person, while it can still be argued that there is a benefit to the community as a whole through the social capital and health gained by keeping active and in touch. This warrants covering at least a portion of the cost of a program or activity through an individual fee. Other opportunities, such as the rental of a space for a private party, would warrant a fee to cover the entire cost of providing that space.



## **DOES “COST RECOVERY” MEAN COVERING ALL COSTS THROUGH FEES?**

No. In most cases where fees are appropriate, the cost recovery target will be set to recover a portion, or all, of the “direct” cost. In some cases, where the individual benefit is very high, the cost recovery target will be set to cover more than 100 percent of the direct cost. The fee will also recover some or all of the indirect cost of providing the program or services, as these are still very real costs that are caused by the program or activity. Cost recovery can also be accomplished through other forms of revenue such as grants, donations, sponsorships, etc.

## **COST RECOVERY IN PUBLIC PARKS AND RECREATION**

Communities across the country vary in terms of how they allocate direct and indirect costs; qualifiers such as availability of resources, size, scope of services, community demand, and ability to pay have an impact. Therefore, different agencies must maintain cost recovery and tax investment levels appropriately based upon their own community’s characteristics, values, and available funding. The Resource Allocation and Cost Recovery Philosophy, Model, and Policy provides a rational, thoughtful approach to allocating resources and setting fees for programs and services with the outcome of beginning to bring the PRCSA closer to what is occurring in the industry.

## **COMPARING FEES WITH OTHER MUNICIPALITIES**

The process did not include comparing against other municipalities. Comparing against other municipalities is like comparing apples to oranges because each community has its own mission and values, and places a different emphasis on aspects of its service provisions, such as youth, senior citizens, protecting land, and tourism, and may also have different requirements or desires for how tax dollars are used.

This comprehensive effort and approach to providing parks and recreation services is to introduce and implement strong “best practice” business tools. The overall goal of this plan is to initiate and sustain practices and examine policy and rules that affect overall desired outcomes of a healthy and vibrant community. The process is much more than determining fees and charges, it is providing a customized, yet tested operating tool that will change the way PRCSA carries out its business. This is a way of leveraging the current and potential financial and other resources of the Agency addressing both present and future circumstances. It not only considers financial resources, but encourages collaborative efforts, cost containment and avoidance, and service provision strategies, to best leverage all resources.

The Cost Recovery Model provides a framework for discussion with the community and guidance for determining which facilities and services should be fee based, and will help ensure that services are priced at a level commensurate with the City Council’s objective for cost recovery. The adoption of the model will help the PRCSA meet established goals for future cost recovery levels and budgeting.

## **WHERE IS PRCSA TRYING TO GO?**

The PRCSA desires to develop a long-term strategy, structure, and system to provide for its fiscal health and sustainability and that is responsive to the community and economic conditions. This includes:

- A philosophy for how to determine and implement fees.
- A fair and equitable Cost Recovery Model based on the Recreation and Community Services Statement of Purpose.
- A mechanism and consistent language for communicating how taxpayer funding is used.
- A lessening of the Agency’s dependence on tax funds by approaching, or even exceeding, cost recovery goals as determined through the process.



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## II. THE COST RECOVERY PYRAMID METHODOLOGY

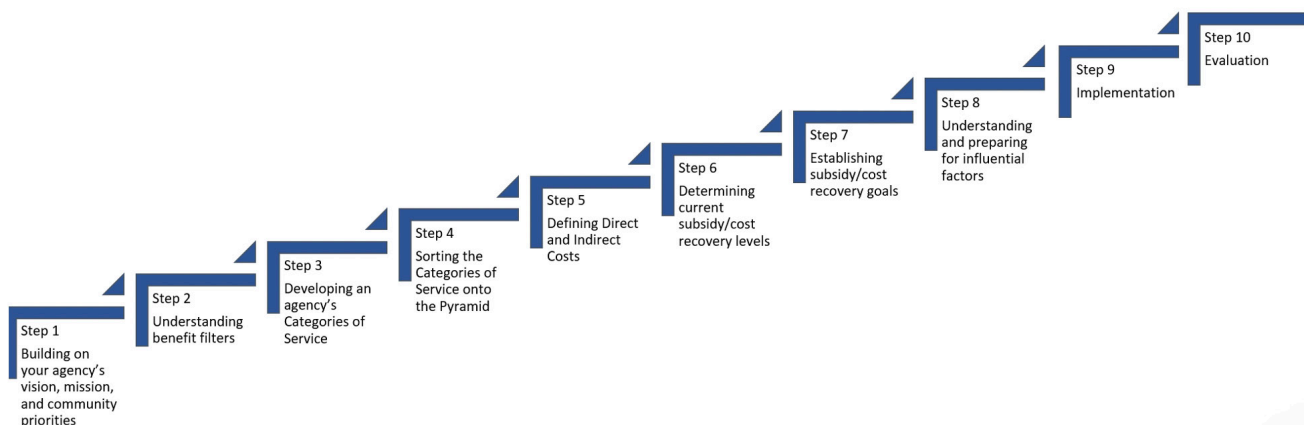
The GreenPlay Pyramid Methodology used in development of the Cost Recovery Model is built on a foundation of understanding who is benefiting from park and recreation services to determine how the costs for service should be paid.

The Cost Recovery Pyramid 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 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 resulting pyramid is unique to each agency who applies this methodology.

Application of the pyramid methodology begins with the purpose of the organization, but must also address other considerations:

- Who benefits from the service, the community in general or only the individual or group receiving the service?
- Does 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 requiring police presence above and beyond the norm.
- Will imposing the full cost fee pose a hardship on specific users?
- The ability to pay is different than the benefit and value of a program, activity, or service, and therefore, should be dealt with during the implementation phase of pricing and marketing.
- Do community values support taxpayer investment for the cost of service for individuals with special needs (for example, people with disabilities or low-income)?
- Will the level of the fee affect the demand for the service?
- Is it possible and desirable to manage demand for a service by changing the level of the fee?
- Are there competing providers of the service in the public or private sector?

The application of the model is broken down into the following steps:





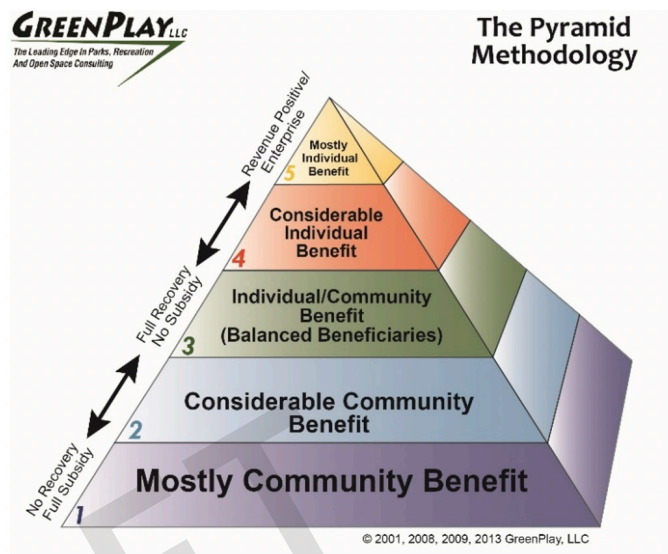
## STEP 1: BUILDING ON YOUR ORGANIZATION'S VALUES, VISION, AND MISSION

Critical to this philosophical undertaking is the support and buy-in of elected officials and advisory board members, staff, and ultimately, citizens. Whether or not significant changes are called for, the organization should be certain that it philosophically aligns with its constituents. The development of a financial resource allocation philosophy and policy is built upon a very logical foundation, based upon the theory that those who benefit from Parks, Recreation, and Senior Services ultimately pay for services.

Envision a pyramid sectioned horizontally into five levels.

A brief description of the process follows.

Figure 6: GreenPlay Pyramid Methodology



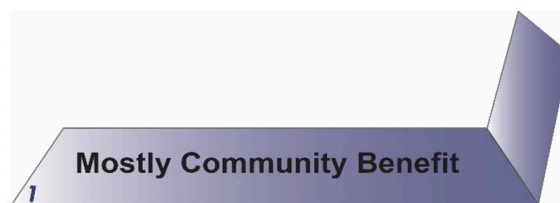
## STEP 2: UNDERSTANDING THE PYRAMID METHODOLOGY, BENEFITS FILTER, AND SECONDARY FILTERS

The creation of a subsidy and resource allocation philosophy and policy is a key component to maintaining an agency's financial control, equitably pricing offerings, and helping to identify core services including programs and facilities.

The principal foundation of the Pyramid is the **Benefits Filter**. Conceptually, the base level of the pyramid represents the core services of a public Parks, Recreation, and Seniors system. Services appropriate to higher levels of the pyramid should only be offered when the preceding levels below are comprehensive enough to provide a foundation for the next level. The foundation and upward progression are intended to represent the Parks, Recreation, and Senior Services core mission while also reflecting the growth and maturity of an organization as it enhances its service offerings. Each level of the Pyramid from the bottom to the top is described below.

### MOSTLY COMMUNITY BENEFIT

The foundational level of the Pyramid is the largest, and it encompasses those services including programs and facilities that **MOSTLY** benefit the **COMMUNITY** as a whole. These services may increase property values, provide safety, address social needs, and enhance quality of life for residents. The community generally pays for these basic services via tax support. These services are generally offered to residents at a minimal charge or no fee. A large percentage of the agency's tax support would fund this level of the Pyramid.

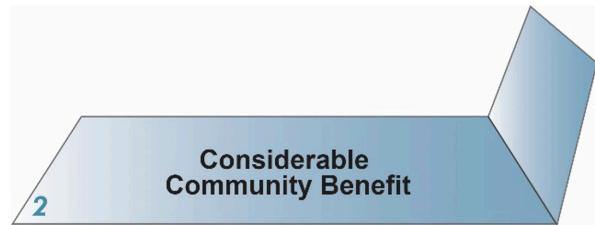


Examples of these services could include: the existence of the community Parks, Recreation and Senior Services system, the ability to visit facilities on an informal basis, park and facility planning and design, park maintenance, or others.

**NOTE: All examples given are generic – individual agencies vary in their determination of which services belong in the foundation level of the Pyramid based upon agency values, vision, mission, demographics, goals, etc.**

### CONSIDERABLE COMMUNITY BENEFIT

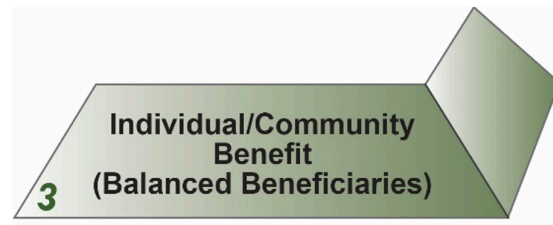
The second level of the Pyramid represents services that promote individual physical and mental well-being, and may begin to provide skill development. They are generally traditionally expected services and/or beginner instructional levels. These services are typically assigned fees based upon a specified percentage of direct (and may also include indirect) costs. These costs are partially offset by both a tax investment to account for **CONSIDERABLE COMMUNITY** benefit and participant fees to account for the Individual benefit received from the service.



Examples of these services could include: staff facility and park use, volunteer programs and services, public outreach programs, etc.

### BALANCED INDIVIDUAL/COMMUNITY BENEFIT

The third level of the Pyramid represents services promoting individual physical and mental well-being, and provides an intermediate level of skill development. The level provides balanced **INDIVIDUAL** and **COMMUNITY** benefit and should be priced accordingly. The individual fee is set to recover a higher percentage of cost than those services falling within lower Pyramid levels.



Examples of these services could include: beginning level instructional programs and classes, teen programs, senior programs, memberships, etc.

### CONSIDERABLE INDIVIDUAL BENEFIT

The fourth level of the Pyramid represents specialized services generally for specific groups, and those that may have a competitive focus. Services in this level are not highly subsidized and may be priced to recover full cost, including all direct expenses.



Examples of these services could include: camps, advanced level classes, competitive leagues, etc.

## MOSTLY INDIVIDUAL BENEFIT

At the top of the Pyramid, the fifth level represents services that have potential to generate revenues above costs, may be in the same market space as the private sector, or may fall outside the core mission of the agency. In this level, services should not be supported by subsidy, should be priced to recover full cost, and may generate revenue in excess of cost.



*Examples of these activities could include: Private lessons, company picnic rentals, other facility rentals for weddings or other services, concessions and merchandise for resale, etc.*

## STEP 3: DEVELOPING THE ORGANIZATION'S CATEGORIES OF SERVICE

Considering sheer volume, in order to avoid trying to determine the proper cost recovery for every facility, program, and service offered by the PRCSA, it was advantageous to “narrow down” facilities, programs, and services and place them in categories (groups of like or similar service) best fitting their descriptions. PRCSA’s Categories of service can be found in **Appendix A**.

During the first Cost Recovery workshop, the Project Team established category names and definitions reflecting the facilities, programs, and services currently offered, or likely to be offered in the future. Twenty-five (25) categories were identified. The charge to both Team Members and the public was to sort these categories onto appropriate levels of the pyramid model based on who they benefited (the benefit filter). Those categories ranged from mostly benefiting the **Community as a Whole**, to programs and services serving mostly an Individual benefit. There was also discussion of consideration of additional filters (discussed in Step 8 below), which often hold a secondary significance in determining placement on the Cost Recovery Pyramid.

## STEP 4: SORTING THE CATEGORIES OF SERVICE ONTO THE PYRAMID

This step is critical to be completed with staff, governing bodies, and citizens in mind. The sorting process is where ownership is created for the philosophy, while participants discover the current and possibly varied operating histories, cultures, missions, and values of the organization. The process develops consensus and allows everyone to land on the same page – the page you write together. The effort must reflect the community and must align the thinking of policy makers.

PRCSA brought together Team Members from across the agency as well as members of the public to sort existing categories into each level of the pyramid. The sorting process was a challenging step, and it was led by objective and impartial facilitators in order to hear all viewpoints. The process generated discussion and debate as participants discovered what others had to say about serving culturally and economically different parts of the community, about historic versus recreational parks, about adults versus youth versus seniors, about weddings and interpretive programs, etc. It was important to push through the “what” to the “why” to find common ground. The process enabled Team Members to listen and discover an appropriate philosophy for Santa Ana. The PRCSA Cost Recovery Pyramid Model (shown in **Figure 2**) shows how the categories of services were sorted onto the pyramid with input from the community.



## STEP 5: DEFINING COSTS

The definition of direct and indirect costs can vary from agency to agency. The most important aspect to understand is all costs associated with directly running a program or providing a service are identified and consistently applied across the system. Direct costs typically include the specific, identifiable expenses (fixed and variable) associated with providing a service. These expenses would not exist without the service and may be variable costs.

Defining direct costs, along with examples and relative formulas is necessary during this step. Indirect costs typically encompass remaining overhead (fixed and variable) including the administrative costs of the agency, not identified as Direct Costs. These costs would exist in the absence of any one specific service.

## STEP 6: DETERMINING (OR CONFIRMING) CURRENT TAX INVESTMENT/COST RECOVERY LEVELS

This step establishes the expectation the agency will confirm or determine current cost recovery and subsidy allocation levels by service area based on the new or revised definition of direct and in-direct costs. Consideration of revenue sources and services costs or expenses is included in this step. Typically, the organization may not be cost accounting consistently, and these inconsistencies become apparent. Results of this step will identify what it costs to provide services to the community, whether staff have the capacity or resources necessary to account for and track costs, whether accurate cost recovery levels can be identified, and whether cost centers or general ledger line items align with how the agency may want to track these costs in the future.

The overall tax investment/cost recovery level is comprised of the average of everything in all of the tiers together as a whole. This step identifies what the current tax investment level is for the programs sorted into each tier. There may be quite a range within each tier, and some programs could overlap with other tiers of the pyramid. This will be rectified as implementation of recommendations occurs.

The PRCSA Pyramid is shown in **Figure 2**. This will be refined over the first year of implementation as steps are taken to more accurately account for revenues and expenditures by category. Generally, current cost recovery percentages are shown for each category of the pyramid; however, it was not possible to extract an accurate expense for the service with the current accounting practices so there are no cost recovery percentages shown.

The focus for the first year of implementation is to develop a system to capture revenues and expenses at the program level with ease. The PRCSA will also need to further define direct cost and determine if all or a portion of indirect cost will be allocated.

## STEP 7: ESTABLISHING COST RECOVERY/TAX INVESTMENT TARGETS

The Project Team has worked to align who is benefiting from programs and services with the sources of funding used to pay for them. The tax investment is used in greater amounts at the bottom levels of the pyramid, reflecting the benefit to the Community as a whole. As the pyramid is climbed, the percentage of tax investment decreases, and at the top levels, it may not be used at all, reflecting the Individual benefit.

Targets take into account current subsidy levels. As costing of services and matching revenues is a very revealing process, realistic and feasible targets are recommended to align with the pyramid model and also to meet specific financial objectives for recovery of direct and indirect cost. These targets are not





predetermined by the model, but are identified for each tier of the Agency's Pyramid Model to reflect the values, needs, and realities of the Santa Ana community and the City.

## **STEP 8: UNDERSTAND AND PREPARING FOR INFLUENTIAL FACTORS AND CONSIDERATIONS**

Inherent to sorting categories onto the Pyramid model using the Benefits and other filters is the realization other factors come into play. This can result in decisions to place services in other levels than might first be thought. These factors can aid in determining core versus ancillary services. These factors include participant commitment, trends, political issues, marketing, relative cost to provide the service (cost per participant), current economic conditions, and financial goals, etc.

## **STEP 9: IMPLEMENTATION**

PRCSA will set its goals based upon values, vision, mission, stakeholder input, funding, and/or other criteria. Upon completion of steps 1-8, the City is positioned to illustrate and articulate where it has been and where it is heading from a financial perspective. Some recommendations may be implemented immediately, and others will take time to put into place, while some will be implemented incrementally.

## **STEP 10: EVALUATION**

This process has been undertaken in order to articulate a philosophy, train Team Members on a best practice ongoing approach to cost recovery in public parks and recreation, and enhance financial sustainability. Once established, cost recovery performance measures in the form of tier target minimums and category minimums should be evaluated annually.



### III. ESTABLISHING FEES AND CHARGES

#### PRICING STRATEGY

As the final step in the development of this methodology, pricing strategies were considered. Pricing of services must be done on a service-by-service basis. A training on pricing was provided to staff and information is included as **Appendix B** in this document. Definition of costs and fees as discussed are provided here and followed by *Criteria for Establishing Fees and Charges* that align with pyramid levels.

**Table 1: Definitions of Cost and Fees**

Costs are defined as:	Fees are defined as:
<p><b>DIRECT COST:</b> Costs that are directly attributable to efforts to put on or provide a program or service. Examples are program specific supplies and marketing, rental fees for facilities, and applicable portions of full-time, part-time, and seasonal staff, as well as corresponding benefits. Cost associated with individual programs or services are not easily identifiable, so some reasonable assumptions may be necessary.</p> <p><b>INDIRECT AND DIVISIONS OVERHEAD COST:</b> These costs are incurred by the Parks, Recreation, and Seniors Divisions and are not directly attributable to a specific program or service, but are necessary to support the effort, and are incurred for a common objective. Examples may include applicable portion of staff and benefits charges that are shared among multiple services, gas and vehicle maintenance, insurance, fund transfer charges, and staff overtime costs.</p>	<p><b>PARTIAL COST FEE:</b> A fee recovering something less than the cost calculation determined through the chosen methodology. The remaining portion of the costs are subsidized.</p> <p><b>FULL COST FEE:</b> A fee based on a traditional price-cost relationship; recovers the total cost of a service or program including all costs determined through the chosen methodology, enabling the break-even point to be reached. Full-cost fee is often used as a strategy for services perceived as “private,” benefiting only users while offering no external benefits to the general community.</p> <p><b>MARKET RATE FEE:</b> Fee based on demand for a service or facility. The market rate is determined by identifying all providers of an identical service (Examples: private sector providers, other municipalities, etc.), and setting the fee at the highest level that the market will bear.</p>



## CRITERIA FOR ESTABLISHING FEES AND CHARGES

Criteria is established for each level of the pyramid as indicated below. A full description of the criteria that applies to each level is found in Appendix C.

### **High or Full Tax investment/Low or No Cost Recovery:**

These criteria apply to the Mostly Community Benefit Tier (1) of the pyramid.

### **Partial Tax investment/Partial Cost Recovery:**

These criteria apply to the Considerable Community (2) and Balanced Community/Individual Benefits (3) tiers of the pyramid. Keep in mind that a service does not have to meet every criterion.

### **Low Tax Investment/Substantial Cost Recovery:**

These criteria apply to the Considerable Individual Benefit tier (4) of the pyramid.

### **No Tax investment/Full Cost Recovery:**

These criteria apply to the Mostly Individual Benefit tier (5) of the pyramid.

The following concepts were discussed and are very typical for park and recreation agencies.

## COMPARATIVE ANALYSIS CRITERIA

As part of a pricing methodology, comparative analysis of differing fees structures can reveal market rates and competitive pricing in the marketplace. Comparative analysis (benchmarking) is an important tool allowing for comparison of certain attributes of the PRCSA's management practices and fee structure. This process creates deeper understanding of alternative providers, your place in the market, and varying fee methodologies, which may be used to enhance and improve the service delivery of parks and recreation. The suggested criteria are found in **Appendix D**.



## IV. THE SERVICES ASSESSMENT METHODOLOGY

GreenPlay trained a cross section of Team Members to learn how to use the **Public Sector Services Assessment** tool to understand each service's market segment and strength or weakness of its position within that market and to identify alternative providers, core services, and optional provision strategies. The use of the Services Assessment tool required extensive time and effort by Team Members and resulted in a Service Portfolio Matrix (see **Appendix E**), a compilation of both the Pyramid Methodology and the Public Sector Services Assessment tools.

### THE PUBLIC SECTOR SERVICES ASSESSMENT MATRIX

Public agencies have not traditionally been thought of as organizations needing to be competitively oriented. Unlike private and commercial enterprises which compete for customers (and whose very survival depends on satisfying paying customers), many public and non-profit organizations operate in a non-market, or grants economy (one in which services may not be commercially viable). In other words, the marketplace may not supply sufficient and adequate resources.

In the public sector, customers (taxpayers) do not directly decide how funding is allocated and which service gets adequate, ongoing funding. In fact, many public agencies and non-profits can be considered "sole-source," the only place to get a service, so there is little to no market analysis. Therefore, the potential exists for apathetic service enhancement and improvement. Consequently, public and non-profit organizations have not necessarily had an incentive to question the status quo, to assess whether customer needs are being met, or to examine the cost-effectiveness or quality of available services.

The public sector and market environments have changed; funders and customers alike are beginning to demand more accountability, and both traditional (taxes and mandatory fees) and alternative funding (grants and contributions) are getting harder to come by, even as need and demand increases. This increasing demand for a smaller pool of resources requires today's public and non-profit agencies to rethink how they do business, to provide services where appropriate, to avoid duplicating existing comparable services, and to increase collaboration, when possible. In addition, organizations are leveraging all available resources where possible.

Based on the MacMillan Matrix for Competitive Analysis of Programs<sup>2</sup>, the *Public Sector Services Assessment* is an intensive review of organizational services providing recommended provision strategies including, but not limited to, enhancement of service, reduction of service, collaboration, and advancing or affirming market position. This assessment includes an analysis of: each service's relevance to values, vision, and mission; market position; other service providers in the area, including quantity and quality of provider; and the economic viability of the service.

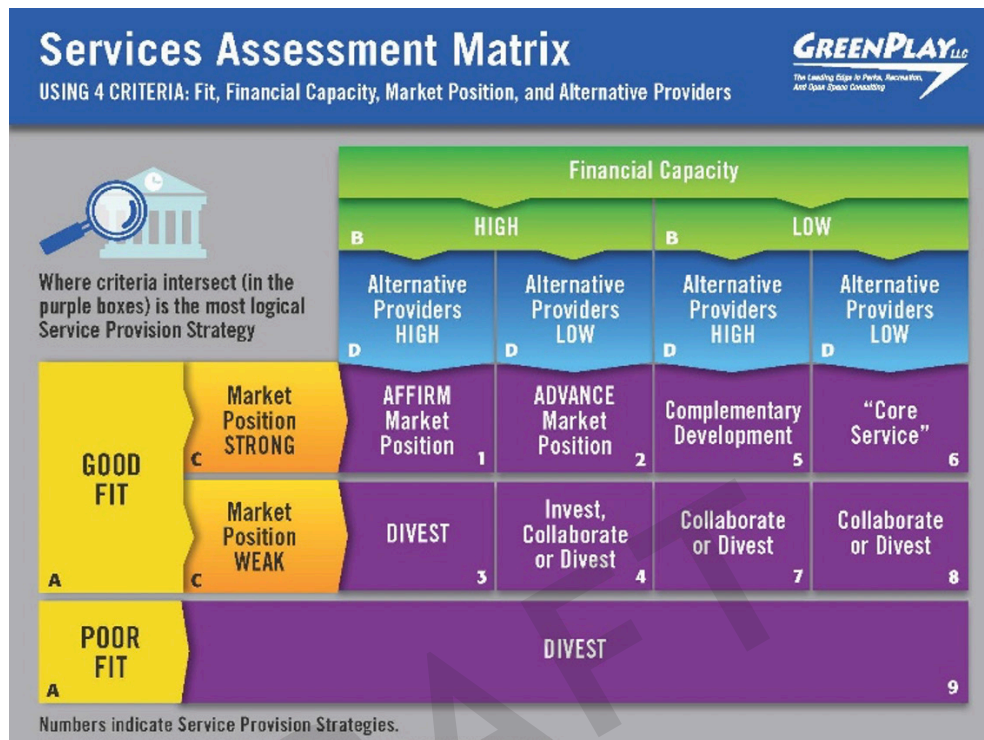
The Matrix is based on the assumption that duplication of existing comparable services (unnecessary competition) among public and non-profit organizations can fragment limited resources available, leaving all providers too weak to increase the quality and cost-effectiveness of customer services.

It also assumes that trying to be all things to all people can result in mediocre or low-quality service. Instead, agencies should focus on delivering higher-quality service in a more focused (and perhaps limited) way. The Matrix helps organizations think about some very pragmatic questions.

<sup>2</sup> Alliance for Nonprofit Management



Figure 7: Services Assessment Matrix



- Q: Is the PRCSA the best or most appropriate organization to provide the service?
- Q: Is market competition good for the citizenry?
- Q: Is the PRCSA spreading its resources too thin without the capacity to sustain core services and the system in general?
- Q: Are there opportunities to work with another organization to provide services in a more efficient and responsible manner?

## THE SERVICES ASSESSMENT PROCESS

The Agency created a Service Menu listing each program, activity, or facility provided to the community. The next step in the process was to gather data about each program and service provided and research other providers of similar services in the market area for each service. This information was then used to answer questions to determine the fit, financial capacity, market position, and alternative providers for each service. This assessment allowed the determination of a recommended service provision strategy for each service.

## IDENTIFYING CORE SERVICES AND PROVISION STRATEGIES

The Services Assessment required Team Members to answer a series of questions regarding “fit” with the mission and vision of the PRCSA; community need; the “strength of its market position” for each of its services and programs; present credibility and capacity, and community awareness; the “financial capacity” of the service or program to be viable without the support of tax funding; and the presence of “alternative providers” in the market place.





The resulting provision strategies for the Agency identify:

- Services to affirm or advance its market position.
- Services to pursue collaboration.
- Services for complementary development.
- Services to invest in to change the market position.
- Services to divest.

Multiple strategies are sometimes highlighted through this process for particular services. This is because there are several variables at work creating a weak market position an agency may or may not be willing or able to change. Market position is determined by the current resources available (could the investment be increased?), the location of the service (could it be moved?), the track record and credibility of the agency (is there any momentum toward improvement?), technical skill (could training be provided?), and community awareness of the offering (could marketing efforts be increased?). An appropriate solution for some of the challenges might be collaboration, or it may be time for divestment.

## **PROVISION STRATEGIES DEFINED**

### **CORE SERVICE**

These services are “core” to satisfying the Agency’s values and vision typically benefiting all community members, or are seen as essential to the lives of under-served populations. There are few, if any, *alternative providers*, yet the PRCSA is in a *strong market position* to provide the service. However, there is not the financial capacity to sustain the service outside of taxpayer support, and the service is not deemed to be economically viable.

### **AFFIRM MARKET POSITION**

The Services Assessment identified services in which a number of (or one significant) alternative provider(s) exists, yet the service has financial capacity, and the Agency is in a strong market position to provide it to customers or the community. Affirming market position includes efforts to capture more of the market and investigating the merits of competitive pricing strategies. This includes investment of resources to realize a financial return on investment. Typically, these services have the ability to generate excess revenue. Niche positioning and messaging can be used as market strategy.

### **ADVANCE MARKET POSITION**

The Services Assessment identified services in which a small number of (or no) alternative providers exist to provide the service, the service has financial capacity, and the Agency is in a strong market position to provide the service. Primarily due to the fact that there are fewer, if any, alternative providers, advancing market position of the service is a logical operational strategy. This includes efforts to capture more of the market, investigating the merits of market pricing and various outreach efforts. Also, this service may be an excess revenue generator by increasing volume.

### **COMPLEMENTARY DEVELOPMENT**

The Services Assessment identified services in which the service is a good fit, a number of, or one, significant alternative provider(s) exists; the PRCSA is in a strong market position to provide the service, yet it does not have financial capacity to fully develop the service. Complementary development encourages planning efforts avoiding duplication, yet broadening the reach of all providers. Although there may be perceived market saturation for the service due to the number of like services by alternative providers, demand and need exists, justifying the service’s continued place in the market.



### **COMPLEMENTARY DEVELOPMENT**

The Services Assessment identified services in which the Agency's current market position is weak, and the service can be enhanced or improved through the development of a collaborative effort. Collaborative efforts, or partnerships, with other service providers (internal or external) can minimize or eliminate duplication of services while most responsibly utilizing agency resources.

### **INVESTMENT**

The Services Assessment identified services where investment of resources is the Agency's best course of action as the service is a good fit with values and vision, and an opportunity exists to strengthen the current weak market position.

### **DIVESTMENT**

The Services Assessment identified services where the Agency has determined it is in a weak market position with little or no opportunity to strengthen its position. Further, the services are deemed to be contrary to the Agency's interest in the responsible use of resources, and are therefore being considered for divestment. Divestment not only includes the discontinuation of a program or service but perhaps a hand-off to another agency, or the purposeful nurturing of an entity to prepare to take on the service.

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## V. KEY FINDINGS

The defining and placement of categories on the pyramid tiers provided the opportunity to question the purpose of each of the programs and services within each category, who they were serving, and how those programs and services are funded and delivered. During the first year of implementation, Team Members will have the opportunity to respond to the volume of information now available, allowing them to further refine definitions and re-evaluate early decisions made in this process.

Throughout the series of workshops several key issues emerged, including:

- Identifying costs accurately and defining which costs should be recovered and which should be considered indirect and a basic service.
- Identifying fee strategies and how they may be applied.

Other key findings are discussed below.

### COST RECOVERY

Cost recovery targets could not be identified for each level of the Pyramid to assist in future planning and determination of appropriate pricing. These targets will need to be identified once PRCSA has established an effective way to track cost. As the Agency improves tracking and more precise calculations become available, it is possible some services may be better defined and moved to more appropriate categories.

As soon as Tier targets are established, this approach will empower the Agency to use fees and charges to supplement the tax investment that allows it to affirm its priorities for investment. PRCSA is not a static operation and needs flexibility within a philosophically-based structure to appropriately carry out its business. This model will allow it to do so.

### FEES FOR SERVICE

Fees for services should be reviewed annually and adjusted as necessary to meet cost recovery objectives and City policy. It is not expected that all fees will be immediately adjusted, but fees will be examined with each budget and marketing cycle for appropriate categorization, with a goal of implementing the Pyramid tier outcomes, as possible. It is recognized that market, historical, and political factors play a major role in any fee change, and sensitivity to these issues is paramount while the adjustments take place to meet the goals over time.

It is in the purview of the PRCSA Director to adjust some minor program and service fees as needed, and others will be recommended at the appropriate time as part of the budgeting process. However, it should be noted that incremental annual increases appear to be more tolerable than larger increases less frequently, and this has become a best practice in parks and recreation agencies over time.

There will be programs and/or facilities where cost recovery is different from that suggested by the Pyramid model exercise, simply based on the market rate, meaning the City simply can't charge what is indicated or no one will participate, or can charge more, because of the market rate and there is demand. There are valid reasons for charging "Market Rate." These programs should be identified and acknowledged for the role they play.



## **DONATIONS, SPONSORSHIP, AND PARTNERSHIP POLICIES**

Donations, sponsorships, and partnerships are best practice strategies for maximizing cost recovery levels, and are in use in PRCSA. To evolve the use, however, they each need to be guided by policy. Comprehensive donation, sponsorship, and partnership policies providing Team Members guidelines will ensure that solicitation, negotiation, and fulfillment are appropriate under all applicable rules, regulations, and laws. The policies will provide evaluation criteria to determine if the benefit is appropriate in the delivery of the existing mission, vision, and goals of the City, and will ensure transparent consistency for solicitation and fulfillment.

Research to establish strategic opportunities and appropriate valuations for sponsorship and partnership opportunities, by using a consultant or an established industry methodology, will assist with alignment to current market conditions. Sample Sponsorship and Partnership policies have been provided to the PRCSA for its use, and policy development can serve as a model for the entire City.

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## VI. RECOMMENDATIONS

The main purpose of this endeavor has been to create a fair, equitable, and defensible cost recovery system for establishing and adjusting fees and charges having credibility with City Council, stakeholders, the public, and Team Members.

As a result of the comprehensive process and impending results, as illustrated in the Cost Recovery Pyramid Model, the PRCSA will begin the process of tracking cost, implementing strategies and aligning financial resource allocation once cost recovery goals are developed. In order to identify cost recovery goals, the PRCSA will need to identify typical and measurable direct and indirect costs associated with providing programs and services. Only then will they be able to define categories of programs and services with associated target cost recovery minimums.

These efforts are intended to guide goals and objectives, and decision-making proven to create service sustainability for the organization.

### RECOMMENDED COST RECOVERY POLICY STATEMENT

#### PRESENT POLICY AND PRACTICE

The PRCSA does not have a current cost recovery policy. Until now, there has not been a full understanding of cost recovery concepts, and there is inconsistent application of program and service costs. There is lack of adequate philosophy based on the mission of the PRCSA to establish adequate and non-conflicting cost recovery targets.

An umbrella policy statement sets the underlying principles of the Cost Recovery Philosophy, and service pricing approach. Key elements include:

- a. Basic level of service is “free” (supported by tax revenues)
- b. Fees are a responsible and necessary supplement
- c. Community benefit = use of tax dollars
- d. Individual benefit = use of fees
- e. The greater the individual benefit = lower rate of tax subsidy
- f. The policy considers economic climate, alternative providers, and market rate
- g. Fee reductions available for economic need

The following overall Statement of Policy recommendation is intended to provide support to the establishment of a specific policy or practice. This policy statement should be adopted by the City.

#### RECOMMENDED STATEMENT OF POLICY

*As a publicly financed park system, the PRCSA provides a basic level of service free to the public in exchange for tax dollars. However, fees and charges and other methods to recover costs are considered a responsible and necessary means to supplement tax revenue and regulate park use where appropriate.*

*In establishing fees and charges, the Agency will determine the direct costs of providing services and establish goals to recover those costs. The appropriate level of cost recovery will be based on an assessment of who is benefiting from the service provided. If the benefit is to the community as a whole, it is appropriate to use taxpayer dollars to completely, or primarily, fund the service. Examples of services that primarily provide community benefits are hiking and biking trails, play areas, parks, and large natural areas.*





As the benefit is increasingly to an individual or select group of individuals, it is appropriate to charge fees for the service at an increasing rate of cost recovery. Supervised or instructed programs, facilities, and equipment visitors can exclusively use, and products and services that may be purchased, provide examples where user fees are appropriate.

The PRCSA shall also consider available resources, public need, public acceptance, and the community economic climate when establishing fees and charges. In cases where certain programs and facilities are highly specialized by activity and design, and appeal to a select user group, the Agency shall additionally consider fees charged by alternative service providers or market rates. Fees and charges can be set to recover costs in excess of direct and indirect costs, where appropriate, as a method of subsidizing other services.

The Agency may subsidize the cost recovery objective of services for persons with economic need or other targeted populations, as determined by policy of the City Council, through tax-supported fee reductions, scholarships, grants, or other methods. The City Council may also approve exceptional fees or fee waivers upon determination the fee arrangements will benefit the public interest.

## SERVICES AND FINANCIAL STRATEGIES

### RECOMMENDATION ONE: COST RECOVERY

The intent of this focus area is to develop targets and a timeframe for identifying cost recovery goals. Over the past year Team Members have completed a very comprehensive and intense process of developing a best practice business tool, known as The Pyramid Methodology. This will now live within the PRCSA for ongoing use as an established underlying philosophy and provide direction for much more defensible and consistent application. This work was facilitated to ensure the integrity of the tool and challenge Team Members in its proper use.

After an introduction and training, Team Members articulated and refined the menu of programs, services, and activities currently provided by the Agency; categorized those into like groupings; and worked with the public to sort each category of service into one of five pyramid levels, representing a well-defined continuum of a shifting balance of community and individual benefit.

### OBJECTIVES

**1.1:** The following tier targets are based on a first pass at estimating a possible cost recovery range. Detailed cost accounting for each program and service was not available in the detail needed to develop the subsidy level target ranges for the pyramid based on actual expenses verses revenue generated. This will need development and refinement over the first year of implementation, so these could be adopted as preliminary targets to be re-evaluated prior to year two. Team Members will need to work with Agency Leadership to identify a methodology for tracking program cost and to determine the typical and measurable direct and indirect costs that will be tracked.

Tier Level	Subsidy Level Target Range
Tier 5	0%
Tier 4	0-29%
Tier 3	30-64%
Tier 2	65-94%
Tier 1	95-100%



**1.2:** Over the next three to six months, in preparation for the FY2021-2022 budget:

- Identify policy revisions during the budget preparation process.
- Identify and implement opportunities for fiscal adjustments such as fee changes, Program elimination or collaboration, and/or expense reduction.
- Continue to analyze programs and implement fiscal adjustments based on Methodology.
- Refine methodology and analysis based on lessons learned.

**1.3:** The PRCSA must define all of the expenses considered “direct costs” vs. “indirect costs” for programs and services. Expand use of existing budgeting, project, and time management tools to track actual costs over the next year. Determine the most efficient way to assign costs to programs and services.

**1.4:** Use the Cost Recovery and Resource Allocation Philosophy and Model as the foundation for business planning; articulating the philosophy and process in a Business Plan approach.

**1.5:** Adjust fees to reflect the PRCSA cost recovery philosophy, being sensitive to fee tolerance, and implementing over time as necessary. Consider annual incremental price increases to keep up with rising costs, as necessary, allowing Team Members to respond to market conditions, opportunities, and service demands in a timely manner.

- **Tier 1 of the model is expected to be supported through tax funding**  
Tier 1 houses services such as non-monitored parks use. This Tier also includes the Department’s Community Special Events. These are seen as services that are of great benefit to the entire community.
- **Tiers 2 through 4 will experience decreasing levels of tax subsidy support**  
Tiers 2 through 4 house services that require supervision, instruction, or other attention, and serve subsets of the community. Each ascending Tier level increases focus on the individual or group receiving the service and subsidy level targets decrease with each level. Examples of services in these tiers include Youth Classes and Sports (Tier 2), Parks and Facility Rentals (Tier 3), and Adult Classes and Sports (Tier 4).
- **Tier 5 is not intended to be supported through tax funding**  
Tier 5 houses services that are ancillary to the mission of the Department with services such as private lessons and film permits. Often fees for this tier may be market-based.

**1.6:** Ensure long-term sustainability by focusing taxpayer funding on those services producing the widest community benefit, using the pyramid. Consider return on investment, number of participants served, and cost per participant covered by tax revenues as criteria for evaluation of all services.

**1.7:** Assign a project champion or champions and an Implementation Team to keep the focus on the goals and recommendations of the study.



## RECOMMENDATION TWO: SERVICE PORTFOLIO AND MANAGEMENT

The intent of this focus area is to avoid duplicative services in over-saturated markets which exhaust resources; identify and develop niche markets in response to service area needs; and advance the market position of the PRCSA where services are financially sustainable through an appropriate use of tax dollars, fees, and other forms of revenue.

The Agency has pursued a best practice business tool, the Public Sector Services Assessment, for ongoing use within the Agency. Working with an outside facilitator to challenge current thinking and make the best use of this tool, the Agency has, and will continue to consider service delivery mechanisms including affirming or advancing programs, complementing the efforts of other providers, collaboration and partnership, further investing, outsourcing, or divestiture to maximize efficiency, effectiveness, and best use of resources.

Building on the introduction and training provided, Team Members identified their menu of programs and services, evaluated each for fit, financial capacity, market strength, and alternative coverage, and defined and identified “core services.” Ongoing efforts will include use of the tool on an ongoing basis to address changes in the marketplace and Agency resources, and to evaluate provision of a potential new program, service, or activity. More specific objectives resulting from this evaluation follow:

### OBJECTIVES

**2.1:** Use the Public Sector Services Assessment as the foundation for business planning for programming efforts, articulating the philosophy and process in a Business Plan approach. Update the services assessment and review portfolio of services annually. Tie review appropriately to budget preparation schedule.

**2.2:** Establish and adhere to evaluation criteria, such as minimum enrollment, program lifecycle status, and waiting lists, for making decisions as to holding, continuing, or expanding a program and require annual reporting regarding that criteria, for longer term decision-making purposes. Monitor registration, attendance figures, and cost recovery goals on an ongoing basis. Cancel and replace under-performing services.

- Forecast impacts of changes to be made to programs prior to decisions being made to do so, evaluating for economic, social, and environmental sustainability. This is particularly important when considering adding new programs during the budget process.
- To ensure an apples-to-apples comparison, calculate cost per contact hour for both Agency programs and those of alternate providers.



**2.3:** Implement service provision strategies identified through the Services Assessment.

**Core Services**

These services are “core” to satisfying the Agency’s values and vision, typically benefit all community members, or are seen as essential to the lives of under-served populations. There are few if any alternative providers, yet the PRCSA is in a strong market position to provide the service. However, there is not the financial capacity to sustain the service outside of taxpayer support, and so the service is not deemed to be economically viable. Continual evaluation for efficiencies and effectiveness in providing these services is paramount. PRCSA Core Service’s include the following:

- Development and care of the basic park amenity for viewing or general use by the public including maintenance, repair, and landscaping services for open spaces, natural areas, and manicured parks.
- Nearly all programs in Tier One of the PRCSA Cost Recovery Pyramid were identified as a Core Services. Tier One of the Pyramid represents programs and facilities which mostly benefit the community as a whole.

**Affirm Market Position**

Affirming market position includes efforts to capture more of the market through existing sites and investigating the merits of competitive pricing strategies. This includes investment of resources to realize a financial return on investment. Typically, these services have the ability to generate excess revenue. Niche positioning and messaging can be used as market strategy. In general, the following additional programs and facilities were identified for affirm market position:

- Zoo Camps
- El Salvador Center
- Garfield Community Center
- Jerome Center
- Lawn bowling Clubhouse
- Roosevelt-Walker Community Center
- Salgado Center
- Santa Ana Senior Center
- Southwest Senior Center

**Advance Market Position**

Advancing market position includes efforts to capture more of the market, investigating the merits of market pricing and various outreach efforts. Also, this service may be an excess revenue generator by increasing volume (particularly to fill current capacity). More specifically:

- Capitalize on PRCSA strong market position for these services by increasing offerings as demand dictates.
- Advance market position of permitted services, concession and vending, and equipment rentals.
- Consider implementing the use of Resident and Non-Resident rates for Zoo Admissions.



### **Complementary Development**

Complementary development encourages planning efforts avoiding duplication, yet broadening the reach of all providers. Complementary development was indicated for all or most programs found in the following Categories:

- Youth Leagues
- Camps and After School Programs
- Youth Classes and Sports
- Preschool Classes and Sports
- All Ages Classes and Sports

### **Collaboration, Investment, or Divestment**

Collaborative efforts, or partnerships, with other service providers (internal or external) minimizing or eliminating duplication of services, while most responsibly utilizing agency resources are recommended. Investment may be in order if an opportunity exists to strengthen the current weak market position. Divestment may be in order if collaboration or investment are not considered or successful. This can occur by discontinuing a service or handing off the service to others. More specifically:

- Invest, Collaborate, or Divest was identified for Park Picnic Reservations and Movies in the Park. By investing in Picnic Amenities and in the Movies in the Park program their current weak market position could be improved.
- Collaborate or Divest was identified for the Memorial Center and the Santa Anita Center. Both facilities are out of date making them less attractive for programs or rentals.
- Collaborate or Divest was also identified for a small number of programs in various categories.

## **RECOMMENDATION THREE: POLICY AND ADMINISTRATION**

The intent of this focus area is to identify policies and procedures to revise or develop, allowing Team Members to achieve appropriate cost recovery targets. This will allow the Agency to maximize revenue generation where appropriate and to shift taxpayer investment/subsidy to those areas more foundational on the pyramid. All new or revised policies as a result of these recommendations will go through existing development, review, and City approval processes and are anticipated to be developed as part of the implementation of this plan.

### **OBJECTIVES**

**3.1:** Seek acceptance or approval of the Resource Allocation and Cost Recovery Philosophy, Model, and Policy Statement by Agency Leadership, City Leadership, Board of Recreation and Parks, and the City Council.

**3.2:** Review fees and charges for program and facility services annually making minor adjustments as allowed at the Director level and recommending adjustments as part of the formal budgeting process.

**3.3:** Develop a comprehensive Sponsorship Policy. A sample Sponsorship Policy has been provided to the Agency for this purpose. Research strategic opportunities and appropriate valuations. (See also **Recommendation 5.4** regarding assignment of Team Members necessary for a successful sponsorship effort).

**3.4:** Develop a comprehensive Partnership Policy providing guidelines that can be used throughout the City organization. A sample Partnership Policy has been provided to the Agency for this purpose. Research strategic opportunities and appropriate valuations.





**3.5:** As pricing is adjusted, ensure that Youth Services Scholarship opportunities are known to those who qualify and remain adequately funded as the City pursues an increase in cost recovery levels. Seek and designate additional funding sources including excess revenues generated by the Agency.

**3.6:** Use Resource Allocation and Cost Recovery Philosophy, Model, and Policy and the Services Assessment Tools as Team Member training tools. Incorporate specific recommendations for use of the tools and recommendations/decision making into annual Team Member work plans holding Team Members responsible for taking appropriate steps each year to complete the Service Assessment and Alternative Provider Spreadsheets; recommend indicated service strategies and actions to achieve indicated cost recovery targets.

#### **RECOMMENDATION FOUR: COST SAVINGS & COST AVOIDANCE STRATEGIES**

Avoiding and reducing costs will also lead to higher cost recovery rates, provided doing so does not negatively affect the quality of the program and therefore the desire for participation. The intent of this focus area is to identify practices and analysis methods for service planning and provision to consistently ensure the most cost-effective use of resources.

##### **OBJECTIVES**

**4.1:** Continue to review internal management practices and identify and use cost savings practices producing cost effective results. Consider efficiencies, simplifying processes, placing approval/ decision-making authority at appropriate levels, and providing periodic management reports using information generated in this process, among other strategies.

**4.2:** Continue to maintain current capital and maintenance management plans, appropriately budgeting for ongoing operating expenses.

#### **RECOMMENDATION FIVE: REVENUE ENHANCEMENT**

The intent of this focus area is to identify new sources of revenues, including alternative funding ideas, and explore their potential to increase or contribute to overall financial sustainability.

##### **OBJECTIVES**

**5.1:** Explore alternative funding sources that strategically align with targeted services by identifying ideas during each budget cycle from the Parks and Recreation Funding Sources listing provided to Team Members and formulate a work team to explore the pros, cons, and potential outcomes.

**5.2:** Expand alternative funding for strategic initiatives through grants for new and existing projects such as healthy and active living initiatives; trail development; cultural, historic preservation, and natural resource projects; and environmental and sustainability efforts.

**5.3:** Review procurement and other policies to maximize the ability to pursue alternative revenues such as grants, sponsorships, and permit fees, while ensuring that the cost to pursue these revenues does not exceed the benefit received.

**5.4:** Explore the opportunities for and use of sponsorships, in accordance with an approved Sponsorship Policy. Complete a valuation of park assets and develop a list of potential park facility sites, programs, services and events, and other amenities to consider for sponsorship. Assignment of staffing will be necessary for a successful sponsorship effort.



## RECOMMENDATION SIX: EVALUATION AND PERFORMANCE MEASURES

Following the identification of Tier targets the first year of implementation will allow adjustment of fees as indicated by the Model. It will also allow for Team Members and City Council to see the implications on overall cost recovery; identify any currently unknown market, historical, and political filters; and allow Team Members to experience using the methodology.

### OBJECTIVES

**6.1:** Following a one-year pilot implementation of the model and policy, assess results; thereafter, review the impact on an annual basis.

**6.2:** Use both internal and external data to create performance measures.

- Conduct cost benefit analysis of programs by evaluating participation, waiting lists, cancellation rates, and rate of repeat customers.
- Conduct pre- and post assessments of accessibility, impact to participants, and community wellness.
- Benchmark performance by conducting assessments of effectiveness using:
  - Self-benchmarking.
  - Surveys.
  - Commission for Accreditation of Parks and Recreation Agencies (CAPRA) Accreditation standards.
  - National Recreation and Park Association National Gold Medal Award winning cities or agencies in the similar population category.

**6.3:** Establish program performance measures and base divisional work plans and individual goals on performance measures.

**6.4:** Establish a formalized, Agency-wide program and service evaluation; conduct periodic program surveys to evaluate public perspective in reaching desired program outcomes.



# APPENDIX A: PRCSA CATEGORIES OF SERVICE

**Table 2: Categories of Service**

Tier 5		
Service Category	Definition	Examples
Private Lessons	Lessons arranged for one student with a specific instructor and/or time	Tennis
Film Permits	All permitted filming and photography activities planned and implemented by outside organizations run through City permit process	Student or commercial on public or private property, Zoo film permit, etc.
Tier 4		
Service Category	Definition	Examples
Agreements (profit)	Rentals for exclusive use of spaces and facilities for ongoing or multiple time-periods by a private individual, group, or for-profit business	Aquatic activities, Cabrillo Tennis Center, Lawn Bowling Club House, Archery Club
Special Event Services (Permitted-Private)	All permitted events planned and implemented by individuals run through City permit process	Birthday parties, anniversaries, graduation parties, etc.
Sport Field/Court Rentals (Leagues)	Rental and scheduling for exclusive use of sports facilities for formal or informal use	Stadium, basketball courts, and tennis courts
Equipment Rentals	Rentals equipment for exclusive use of by group, or the general public	Snow Mobile
Adult Classes and Sports	Group or individual special interest programs and activities for adults operated, taught, or managed by the department through contract or staff	Tennis, dance, arts and crafts, painting, guitar, computer workshops, self-defense, voice talent, yoga, Zumba, Pilates, mindfulness, connecting mind and body



**Tier 3**

<b>Service Category</b>	<b>Definition</b>	<b>Examples</b>
Senior Services Partnerships	Group or individual services and programs for 55+ operated, taught, or managed through service providers or outside agencies	Insurance, legal and financial services, HICCAP
Youth Leagues	Group recreational and/or instructional sports programs and activities for youth operated, taught, or managed by the department through contract or staff	Basketball, Rookie Baseball, flag football, tennis
Park and Facility Rentals (Public)	Rental of facilities, parks, and other amenities for exclusive use on a one-time basis by the general public	Community and Senior Centers, Stadium, Plaza Calle Cuatro, picnic areas, pools, gymnasiums, shelters
Camps, Afterschool & School Break Activities	Non-licensed recreational and school break programs, day camps and after school programs with a social, and/or recreational focus which may include field trips, rather than specific instructional or skills programs	After school, sports and fitness, summer camp, zoo camp
Admissions - Special Facilities	Daily, group, or annual entrance fee	Zoo admission
Youth School Based Programs	Educational and conservation programs	On-site and off-site Zoo programs.

**Tier 2**

<b>Service Category</b>	<b>Definition</b>	<b>Examples</b>
Senior Grant Funded Services	Grant funded services offered to 55+, operated, taught, or managed by the department through contract or staff	Daily transportation, field trip and excursions
Special Events (Program Related)	Targeted annual, individualized activities and events requiring registration that are typically offered on a one-time or limited basis	Senior Center monthly events, recreation center monthly events, talent show



Youth Classes and Sports	Group or individual special interest programs and activities for youth operated, taught, or managed by the department through contract or staff	Self-defense, cooking, ballet, guitar, dance, art, language, photography, cheerleading, kayaking sports
Agreements (non-profit)	Rentals for exclusive use of spaces and facilities for ongoing or multiple time-periods by a private individual, group, or non-profit business	TKO boxing, Rancho Santiago Community College District, Family Resource Center, Back to Natives, U.S. Geological Survey (Zoo), Master Gardeners, SAUSD, etc.
Special Event Services (Permitted-Open to the Public)	All permitted events planned and implemented by outside organizations running through the City permit process	International older adults fair, Movies in the Park, Madison Walk-a-thon, Día del Nino, etc.
Park and Facility Use (monitored)	Drop-in use of park, facility or activity that is monitored	Drop-in basketball, public swim, admissions, parking, self-guided visits, community gardens, etc.
Preschool Classes and Sports	Group or individual special interest programs and activities for preschool ages operated, taught, or managed by the department through contract or staff	Star ballerinas, Tiny Tots, cooking, art, language, care bear academy, drawing, Itty Bitties Learning Academy, Basketball, Rookie Baseball, Flag Football

#### Tier 1

Service Category	Definition	Examples
Volunteer Program	Community service and youth development programs and opportunities operated, or managed through staff	Scout Projects, Nature Center, Zoo, Senior Volunteers, Youth Sport Coaches, Internships, and Corporate Volunteers
Internships	Work experience for students	Department wide opportunities
Senior Activities	Group programs and activities for older adults operated or taught by staff and/or participant led	Arts, crafts, dance, tai chi, yoga, book club, trips, etc.
Special Events (Open to Public)	City produced events	4th of July, Shakespeare in the Park, Fiestas Patrias Festival and Parade, DTSA 5K Run, Plaza Navidena





Park and Facility Use (non-monitored)	Drop-in use of park/facility/activity that is non-registered and non-instructed, city areas not monitored by department staff/volunteer supervision	Use of parks, use of trails, open lawns, landscaped areas, trees, playgrounds, picnic areas, etc.
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# APPENDIX B: DEVELOPING A PRICING STRATEGY

As the final step in the development of the Comprehensive Service and Financial Sustainability Study, pricing strategies were considered. This discussion should continue in the future, and the following topic areas should be included and applied.

## 1. UNDERSTANDING FINANCIAL TRENDS

The increasing complexity and resulting shifts of our society's economy have led to what can be deemed as constant fiscal change in government. Public sector administrators and managers must be prepared to respond to the fiscal realities that have resulted from these economic shifts. Trends impacting fiscal and pricing decisions include:

- Increased governmental accountability
- Increased demand for people's "leisure dollar"
- Ongoing or increased demand for services with no/limited additional funding, or decreased funding
- Disinterest in service reductions or increased fees and charges
- Increased operating expenses (utilities, fuel, personnel, supplies, etc.)

## 2. UNDERSTANDING THE BUDGET PROCESS AND FISCAL YEAR CYCLE

Budgets are viewed as annual financial plans and include planning and forecasting, establishing priorities, and a way to monitor fiscal process. This overview allows for an abbreviated look at the process and how it is impacted by pricing.

## 3. UNDERSTANDING THE COSTS OF SERVICE PROVISION

Prior to making pricing decisions, it is important to understand the different types of service provision costs. Having knowledge of the various types of costs allows staff to make better informed pricing decisions. The different types of service provision costs are as follows:

- Direct costs
  - Fixed costs
  - Changing fixed costs
  - Variable costs
- Indirect Costs

## 4. UNDERSTANDING THE PURPOSE OF PRICING

There are many reasons to develop service fees and charges. These include, but are not limited to, the following:

- Recover costs
- Create new resources
- Establish value
- Influence behavior
- Promote efficiency

## 5. PRICING STRATEGIES – DIFFERENTIAL PRICING

Differential pricing is grounded in the notion that different fees are charged for the same service when there is no real difference in the cost of providing the service. There may be many reasons the Divisions may wish to consider this pricing strategy including:

- To stimulate demand for a service during a specified time
- To reach underserved populations
- To shift demand to another place, date, or time



## 6. ALTERNATIVE FUNDING SOURCES

In general, there has been a decrease in the amount of tax support available to public Parks, Recreation, and Senior Services agencies across the nation. The Divisions are forward thinking in their planning. As such, the need to look at alternative funding sources as a way to financially support services has become commonplace. Alternative funding sources are vast and can include:

- Gifts
- Grants
- Donations
- Scholarships
- Sponsorships
- Collaborations
- Volunteer contributions

## 7. EXAMINING THE PSYCHOLOGICAL DIMENSIONS OF PRICING

In addition to the social and environmental issues surrounding pricing, the human elements of pricing must be considered. Regardless of how logical a price may seem, customer reactions and responses are their own and can be vastly different than what one might expect. The psychological dimensions of pricing include:

- Protection of self-esteem (pricing in such a way as to not offend certain users)
- Price-quality relationship (value received for every dollar spent)
- Establishing a reference point (worth of service in comparison to others)
- Objective price (price has a basis in fact, is real, and impartial)
- Subjective price (price is not biased or prejudiced)
- Consistency of image (perception of the brand and identification with product or service)
- Odd pricing (perception of arbitrary or incongruent pricing)

## 8. ESTABLISHING INITIAL PRICE

Establishing an actual price for a program can be based upon a variety of strategies including:

- Arbitrary pricing: basing fees on a general provision such as raising all fees \$.25 to meet budget goals which ignores market conditions and cost recovery goals. Arbitrary pricing is not encouraged, as it is impossible to justify.
- Market pricing: a fee based on demand for a service or facility or what the target market is willing to pay for a service. The private and commercial sectors commonly use this strategy. One consideration for establishing a market rate fee is determined by identifying all providers of an identical service (examples: private sector providers, municipalities, etc.) and setting the highest fee. Another consideration is setting the fee at the highest level the market will bear.
- Competitive pricing: a fee based on what similar service providers or close proximity competitors are charging for services. One consideration for establishing a competitive fee is determined by identifying all providers of an identical service (examples: private sector providers, municipalities, etc.), and setting the mid-point or lowest fee.
- Cost recovery pricing: a fee based on cost recovery goals within market pricing ranges.

## 9. UNDERSTANDING PRICE REVISIONS

Once a price is established, there may be the need to periodically review it and examine the need for revision. In some cases, “revised” may be viewed as “increased;” therefore, a systematic approach to pricing revision is important. Factors to consider in pricing revision include:

- Customer tolerance: the degree to which small increases in price will not encounter client resistance.
- Adjustment period: the period of time where the value of the service is assessed by the customer in relation to the price increase. The value of the service from the customer’s perspective must meet or



- Exceed the impact of the increased cost. Adjustment periods may lead to diminished participation or termination of participation altogether based upon customer loyalty and other factors.
- Customers' perceived value of the service: the degree to which services including programs, facilities, and parks impact the public (individual and community), or in other words, the results or outcomes of services. Value is the judgment or perception of worth or the degree of usefulness or importance placed on a service by personal opinion. The intent or intention of a service is the purpose, aim, or end.

#### **10. THE PRICING PROCESS – DEVELOPING A METHOD**

Staff participating in the series of workshops engaged in interactive exercises that applied the cost recovery goals of their respective service areas. The workshops prompted discussions leading to recommended changes to selected current pricing practices with the intention of attaining recommended cost recovery and tax investment allocation goals and establishing a new method for setting fees and charges. This method is based upon using cost recovery goals as a primary pricing strategy, followed by either market pricing (for services with low alternative coverage – few if any alternative providers) or competitive pricing (for services with high alternative coverage – other alternative providers offer similar or like services).

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## APPENDIX C: CRITERIA FOR ESTABLISHING FEES

### HIGH OR FULL TAX INVESTMENT/LOW OR NO COST RECOVERY:

These criteria apply to the **Mostly Community Benefit** Tier (1) of the pyramid. The following criteria are used to determine if a service should be included in the tier, keeping in mind that a service does not have to meet every criterion:

- 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

### PARTIAL TAX INVESTMENT/PARTIAL COST RECOVERY:

These criteria apply to the **Considerable Community** (2) and **Balanced Community/Individual Benefits** (3) tiers of the pyramid. Users fees may recover only partial cost for those services for which the agency desires to manage demand.

- User fees may recover only partial cost from those individuals who cannot pay full cost due to economic hardship
- User fees may recover only partial cost if competitive market conditions make a full cost fee undesirable
- The following criteria are used to determine if a service should be included in these tiers, keeping in mind that a service does not have to meet every criterion:
  - ✓ 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 may be provided by the public sector but may also be provided by the private sector

### LOW SUBSIDY/SUBSTANTIAL COST RECOVERY:

These criteria apply to the **Considerable Individual Benefit** tier (4) of the pyramid.

- User fees should recover the substantial cost of services benefiting specific groups or individuals
- User fees should recover the substantial cost for those services provided to persons who generate the need for those services
- The following criteria are used to determine if a service should be included in this tier, keeping in mind that a service does not have to meet every criterion:
  - ✓ 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 substantial 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

### NO TAX INVESTMENT/FULL COST RECOVERY:

These criteria apply to the **Mostly Individual Benefit** tier (5) of the pyramid.

- User fees should recover the full cost or more for a service in order to subsidize other services provided to the community
- The following criteria are used to determine if a service should be included, keeping in mind that a service does not have to meet every criterion:



- ✓ 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

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# APPENDIX D: COMPARATIVE ANALYSIS CRITERIA

## LIMITS OF COMPARATIVE DATA AND ANALYSIS

Comparative analysis (benchmarking) is an important tool allowing for comparison of certain attributes of the City's management practices and fee structure. The process creates a deeper understanding of alternative providers, your place in the market, and varying fee methodologies, which may be used to enhance and improve the service delivery of parks and recreation.

It is very difficult to find exact comparable communities, because each has its own unique identity, ways of conducting business, and differences in what populations it serves. The political, social, economic, and physical characteristics of each community make the policies and practices of each parks and recreation department unique. It is important to keep in mind that many park and recreation departments primarily serve residents, others serve a large portion of non-residents, while still others cater to the tourism market.

Despite efforts to promote uniformity in comparison, organizations often have slightly different fee structures and associated benefits. For example, some parks and recreation departments may not report all benefits associated with the purchase of a center membership, or may not explain the breadth of indoor recreation spaces they have in the same way as another. The availability of detailed information may also be limited.

Additionally, organizations do not typically define the expenditures of parks, trails, facilities, and maintenance the same way. Agencies also vary in terms of how they organize their budget information, and it may be difficult to assess whether or not the past year's expenses are typical for the community. Despite these inherent limitations, the comparative analysis and fee comparisons criteria presented in this document should be used as a catalyst for the City of PRCSA to continue to research fees, market position, and best practices for more specific areas when they are needed.

## COMPARATIVE ANALYSIS DATA SOUGHT

The communities selected for benchmarking data should be chosen primarily for their proximity and perceived similarities to PRCSA. Requested comparative data in addition to service specific fee structure may include:

- Values, vision, and mission of the organization
- Population and demographics
- Median household income and household size
- Prior year budget, actual expenses, and revenues for the entire department
- Prior year budget, actual expenses, and revenues for the parks and recreation divisions
- Number and square footage of Community/Recreation Centers
- Total acres of open space and developed park land
- Number of maintenance acres contracted out and maintenance description
- Total miles of Department maintained trails
- Number of indoor and outdoor pools
- Number of lighted and unlighted softball/baseball fields
- Recreation and parks department full-time employees and FTEs

Often, comparative analysis data looks to weigh pertinent data along with comparing against a "per thousand" population calculation for categories including: total department budget, total acres, developed acres, miles of trails, Community/Recreation Center square footage, number of pools, number of softball/baseball fields, and recreation FTEs. Parks expenses and FTEs can be calculated per



developed acre. Population, demographics, median household income, and household size estimates can be provided by the U.S. Census.

### **FEE COMPARISON CONSIDERATIONS**

To compare fees, other factors should be considered along with the price or fee charged for a program, rental, admission, pass, or other services. Comparative data for each fee should be included as applicable:

- Program contact hours
- Program session length
- Student/teacher ratio
- Contractor or in-house instructional staffing
- Instructor qualifications
- Program quality
- Materials included or additional fees
- Set up/tear down and preparation time included
- Facility amenities included in admission or pass
- Programs included with admission or pass
- Towel service, locker, equipment usage included or extra
- Hours of operation or availability of service
- Peak or off peak pricing
- Packaging
- Value added amenities or services
- Service area demographics
- Tax investment versus cost recovery goals
- Use of alternative funding



# APPENDIX E: SANTA ANA SERVICE PORTFOLIO MATRIX

	Santa Ana - Service Portfolio - Master								
	Fit		Financial Capacity		Market Position		Alternative Coverage		Provision Strategy
	Good	Poor	High	Low	Strong	Weak	High	Low	
<b>Private Lessons</b>									
<b>Film Permits</b>									
Film Permits - Public	x		x		x			x	Advance Market Position
Film Permits - Student/Public	x		x		x			x	Advance Market Position
Film Permits - Private (may include student - no fees)	x		x		x			x	Advance Market Position
<b>Concessions and Vending</b>									
Bean Sprouts Café - Zoo	x		x		x			x	Advance Market Position
FOSAZ Concessions	x		x		x			x	Advance Market Position
<b>Agreements</b>									
Park Carnivals -Vendor agreement	x		x		x			x	Advance Market Position
Blueray - Aquatics agreement	x		x		x			x	Advance Market Position
MatchPoint Tennis Academy - Cabrillo Tennis Center	x		x		x			x	Advance Market Position
<b>Special Event Services - Permitted-Private</b>									
<b>Permits - Athletic Fields and Stadium</b>									
Facility Reservations (DYSC, Stadium, Willard)	x		x		x			x	Advance Market Position
Field Park Reservations	x		x		x			x	Advance Market Position
<b>Equipment Rentals</b>									
Events Trailer	x		x		x			x	Advance Market Position
Showmobile	x		x		x			x	Advance Market Position
<b>Adult Classes and Sports</b>									
Aerobics	x			x		x		x	Collaborate or Divest
Ceramics	x			x	x		x		Complementary Development
Creative Drawing	x			x		x		x	Collaborate or Divest
Creative Drawing & Illustration	x		x		x			x	Advance Market Position
Karate Do Kiai	x		x		x		x		Affirm Market Position
Mindfulness & Meditation	x			x		x		x	Collaborate or Divest
Salsa Classes	x		x		x			x	Advance Market Position
Social Ballroom & Line Dancing	x		x		x			x	Advance Market Position
Tennis - Adult Beginners	x		x		x			x	Advance Market Position
Toning w/ Silvia	x		x		x			x	Advance Market Position
Wire Art & Jewelry	x		x		x			x	Advance Market Position





## Santa Ana - Service Portfolio - Master

Yoga - Chair	x		x		x			x	Advance Market Position
Yoga - Gentle	x		x		x			x	Advance Market Position
Yoga - Hatha	x		x		x			x	Advance Market Position
Yoga - Introduction to (2 site)	x		x		x			x	Advance Market Position
Zumba Latin Fitness	x			x			x		Collaborate or Divest
Zumba w/ LaVerne (2 sites)	x			x	x			x	Complementary Development
Zumba w/Maria	x			x	x			x	Complementary Development
Zumba w/ Raquel	x		x		x			x	Affirm Market Position
Zumba w/ Silvia	x		x		x			x	Affirm Market Position
<b>All Ages Classes and Sports</b>									
Brain Wellness - Family	x		x		x			x	Advance Market Position
Clay -Family	x			x	x			x	Complementary Development
Danza Folklorico	x			x	x			x	Complementary Development
Guitar - Basic	x			x	x			x	Complementary Development
Guitar - Intermediate	x			x	x			x	Complementary Development
Judo JuJitsu	x		x		x			x	Advance Market Position
Karate Do Kiai (2 sites)	x		x		x			x	Affirm Market Position
Karate - TTK	x			x	x			x	Complementary Development
Martial Arts (2 sites)	x			x	x			x	Complementary Development
Mindfulness Connecting Mind & Body	x		x		x			x	Advance Market Position
Music - Dosis Piano & Guitar	x			x	x			x	Complementary Development
PRIDE Program	x			x	x			x	Core Service
Zumba (RW)	x			x	x			x	Complementary Development
<b>Senior Services Partnerships</b>									
BEC/HICAP	x			x	x			x	Complementary Development
Medical Assistance	x			x	x			x	Complementary Development
Senior Legal Aid	x			x	x			x	Complementary Development
<b>Youth Leagues</b>									
Baseball - Co-Ed Rookie	x			x	x			x	Complementary Development
Basketball - Boys	x			x	x			x	Complementary Development
Basketball - Girls	x			x	x			x	Complementary Development
Flag Football - Co-Ed	x			x	x			x	Complementary Development
<b>Youth School Based Programs</b>									







## Santa Ana - Service Portfolio - Master

Education Program (Zoo - school based)	x		x		x			x	Advance Market Position
Offsite Program (Zoo school based)	x		x		x			x	Advance Market Position
<b>Permits</b>									
Parks - Picnic Reservations	x		x				x		Invest, Collaborate, or Divest
<b>Rentals (Public)</b>									
Plaza Calle Cuatro (Batres)	x		x		x			x	Advance Market Position
<b>Rentals (Private)</b>									
El Salvador Center	x		x		x			x	Affirm Market Position
Garfield Community Center	x		x		x			x	Affirm Market Position
Jerome Center	x		x		x			x	Affirm Market Position
Lawnbowling Clubhouse	x		x		x			x	Affirm Market Position
Memorial Center	x			x			x	x	Collaborate or Divest
Roosevelt-Walker Community Center	x		x		x			x	Affirm Market Position
Salgado Center	x		x		x			x	Affirm Market Position
Santa Ana Senior Center	x		x		x			x	Affirm Market Position
Santa Anita Center	x			x			x	x	Collaborate or Divest
Southwest Senior Center	x		x		x			x	Affirm Market Position
Fisher and Santiago Cabins	x		x		x			x	Advance Market Position
<b>Rentals (Non-Profit &amp; Inter-Agency)</b>									
Boxing Tournaments	x		x		x			x	Advance Market Position
Karate Tournaments (Recreation Classes)	x		x		x			x	Affirm Market Position
Neighborhood Associations	x			x	x			x	Complementary Development
FOSAZ Rentals	x		x		x			x	Advance Market Position
FOSAZ Special Events (move to Tier 3 non profit rentals)	x		x		x			x	Advance Market Position
<b>Camps and Afterschool Programs</b>									
After School Adventures Program (ASA)	x			x	x			x	Complementary Development
Overnight Camps	x			x	x			x	Complementary Development
Summer Day Camp (6 sites)	x			x	x			x	Complementary Development
Zoo Camp - All Ages	x		x		x			x	Affirm Market Position
<b>Admissions - Special Facilities</b>									
General Zoo Admission	x		x		x			x	Advance Market Position
<b>Senior Grant Funded Services</b>									
Senior Mobility Program	x			x	x			x	Complementary Development





## Santa Ana - Service Portfolio - Master

Youth Classes and Sports									
Adventures with Clay	x			x	x			x	Complementary Development
Art for Kids (RW)	x			x	x			x	Complementary Development
Art Club (RW)	x			x	x			x	Complementary Development
Badminton	x			x	x			x	Complementary Development
Ballerinas - Star	x			x	x			x	Complementary Development
Ballet (RW)	x			x	x			x	Complementary Development
Ballet - Classical (2 sites)	x		x		x			x	Advance Market Position
Ballet Folklorico - Girl Scouts	x		x		x			x	Affirm Market Position
Baile Folklorico Advanced (Memorial)	x			x	x			x	Complementary Development
Ballet - Star (2 sites)	x			x	x			x	Complementary Development
Cartooning Fundamentals	x		x		x			x	Advance Market Position
Cheerleading	x			x	x			x	Complementary Development
Curious George Jr Workshop	x		x		x			x	Advance Market Position
Danza Folklorico	x		x		x			x	Affirm Market Position
Gymnastics - Acrobatic	x			x	x			x	Complementary Development
Gymnastics - G-Star Tumbling	x			x	x			x	Complementary Development
Hip Hop (2 sites)	x		x		x			x	Advance Market Position
If You Give A Mouse A Cookie	x		x		x			x	Advance Market Position
Karate Do TKK	x			x			x	x	Collaborate or Divest
Kayaking Program	x			x	x			x	Complementary Development
Multi Sport (3-Sport)	x		x		x			x	Advance Market Position
Rock Out! Workshop	x		x		x			x	Advance Market Position
Soccer Skills	x		x		x			x	Affirm Market Position
Taekwondo (Novella)	x			x	x			x	Complementary Development
Tennis - Beginners	x			x	x			x	Complementary Development
Tennis - Intermediate	x			x	x			x	Complementary Development
Tennis - Advanced	x			x	x			x	Complementary Development
Zumba - Kids	x			x	x			x	Complementary Development
<b>Preschool Classes &amp; Sports</b>									
Ballet and Creative Dance - Kids	x			x	x			x	Complementary Development
Creative Dance (Memorial)	x			x	x			x	Complementary Development
Gymnastics - G-Star Parent-N-Me	x			x	x			x	Complementary Development





## Santa Ana - Service Portfolio - Master

Pre-School (Corbin Center)	x		x		x		x		Affirm Market Position
<b>Agreements (non-profit)</b>									
Community Action Partnership of Orange County	x			x	x		x		Complementary Development
Corbin Family Resource Center	x			x	x		x		Complementary Development
TKO Boxing Program	x			x	x		x		Complementary Development
<b>Special Event Services - Permitted-Open to the Public</b>									
Special Event Permits (Large scale events)	x		x		x			x	Advance Market Position
<b>Park &amp; Facility Use (monitored)</b>									
<b>Work Study/Interns/Community Service</b>									
Internship Program	x			x	x			x	Core Service
<b>Volunteer Program</b>									
Volunteer Program	x			x	x			x	Core Service
<b>Senior Activities</b>									
Advance Care Planning Seminar	x			x	x			x	Core Service
Asian American Social Club	x			x	x			x	Core Service
Billiards	x			x	x			x	Core Service
Beading and Origami	x			x	x			x	Core Service
Bingo	x			x	x			x	Core Service
Bingo - Loteria (Mexican Bingo)	x			x	x			x	Core Service
Cards/Dominoes	x			x	x			x	Core Service
Chair Exercise	x			x	x			x	Core Service
Chinese Opera	x			x	x			x	Core Service
Choir and Guitar	x			x	x			x	Core Service
Dance for Fitness	x			x	x			x	Core Service
Elder Issues Seminar	x			x	x			x	Core Service
Excursions - Senior	x			x	x			x	Core Service
Gardening Class	x			x	x			x	Core Service
Guitar Class	x			x	x			x	Core Service
Healthy Aging Seminar	x			x	x			x	Core Service
Holidays Around The World	x			x	x			x	Core Service
Home Safety For Adults	x			x	x			x	Core Service
Knitting	x			x	x			x	Core Service
Lunch Program -Senior	x			x	x			x	Core Service





## Santa Ana - Service Portfolio - Master

Monthly Special Events	x			x	x			x	Core Service
Music Class	x			x	x			x	Core Service
Line Dancing	x			x	x			x	Core Service
Quilting Club	x			x	x			x	Core Service
Sewing and Fashion	x			x	x			x	Core Service
Social Science-CA History	x			x	x			x	Core Service
Table Tennis	x			x	x			x	Core Service
Tai Chi	x			x	x			x	Core Service
Technology Class	x			x	x			x	Core Service
Walking Club	x			x	x			x	Core Service
Watercoloring	x			x	x			x	Core Service
Yoga	x			x	x			x	Core Service
Yoga - Chair	x			x	x			x	Core Service
Zumba Gold Class	x			x	x			x	Core Service
Santa Ana College Classes and Seminars for Seniors	x			x	x			x	Core Service
<b>Special Events(Open to Public)</b>									
Fiestas Patrias Festival	x		x		x			x	Advance Market Position
Fourth of July Celebration	x		x		x			x	Advance Market Position
Movies in the Parks	x		x				x	x	Invest, Collaborate, or Divest
Plaza Navidena	x		x		x			x	Advance Market Position
Santa Ana 5K Run	x		x		x			x	Advance Market Position
Shakespeare in the Park	x		x		x			x	Advance Market Position
<b>Park and Facility Use (Monitored)</b>									
Creek Side Story Time	x			x			x	x	Collaborate or Divest
Habitat Restoration Days	x			x	x			x	Core Service
Nature Walks	x			x	x			x	Core Service
Watershed Clean-up Days	x			x	x			x	Core Service
Wellness Program (Community Gardens)	x			x	x			x	Core Service
<b>Park &amp; Facility Use (non-monitored)</b>									

