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Executive Summary

Introduction

Cost of Service is an identification and calculation of what is required financially to produce or operate a service. 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. 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 0% to more than 100% of direct costs. As cost recovery is defined differently in nearly every organization, this document discusses Cost Recovery as it relates to Redmond Parks and Recreation.

The Project

The project is driven by policy direction identified in Chapter 3 of the Parks, Arts, Recreation, Culture and Conservation (PARCC) Plan. PR-33 defines that the Department will establish and implement financial goals, cost recovery targets, and a subsidy allocation model to inform recreation program decision-making.

Purpose and Goals

The Department desires to evolve a long term strategy, structure, and system that provides for its fiscal health and sustainability and is responsive to the community. Goals are to:

- Analyze current service levels and the resources to meet workload demand.
- Develop a sustainable and justifiable philosophy, supporting policy, and cost model for calculating fees.
- Research comparison of proposed fees with those of other comparable jurisdictions.
- Recalibrate existing parks and recreation fees based on the resulting City Parks and Recreation philosophy and policies.

Project Approach and Methodology

A Project Team was established to review existing policy, guidelines, and practices; to become familiar with the Pyramid Methodology; to work with citizen stakeholders to understand community values; and to recommend the best cost recovery practices. The Project Team identified typical and measurable direct costs associated with providing programs and services, defined categories of programs and services, determined appropriate methodology for allocation of overhead and indirect cost, and participated in sorting workshops to place categories of services on appropriate pyramid tiers. Ultimately, the Project Team acknowledged current cost recovery levels and used them to determine appropriate target cost recovery levels.
The project commenced in June of 2017; included three workshops in July, August, and September; and concluded with final recommendations at the end of the year. The Department hosted two sessions of workshops in July with the goal to gather input from staff, the commission, the board, and stakeholders, allowing staff to understand which programs and services are considered to have mostly community benefits, which ones have mostly individual benefits, and which ones have a balance of benefits in between. It also allowed participants to better understand their fellow participants’ perspectives.

Cost recovery was then measured using 2015 data. Data from 2015 was chosen as the Department had previously undertaken a major initiative using this information to more finely determine direct costs for services, as the current accounting and tracking systems do not allow for tracking at this level. Amounts were determined for each Category of Service, and for each Tier of Service on which the Categories were placed, informing the setting of new targets for cost recovery to attain financial goals of the City and sustainability for the parks and recreation effort.

### The Redmond Parks and Recreation Department Cost Recovery Pyramid Model

Using direct costs only, *Current* and *Target* Cost Recovery is shown by Tier in *Table 1* below. The Target Cost Recovery of 46% equates to a minimum of 100% cost recovery for Tiers 2 through 5. It is anticipated that a plan will be formulated to reach this target through a combination of cost savings, new revenue streams, and fee adjustments over the next eight years.

### Table 1: Current and Recommended Target Cost Recovery – Direct Costs Only

<table>
<thead>
<tr>
<th>Categories of Service</th>
<th>Current Cost Recovery %</th>
<th>Target Cost Recovery %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 5</td>
<td>69%</td>
<td>160%</td>
</tr>
<tr>
<td>Tier 4</td>
<td>81%</td>
<td>130%</td>
</tr>
<tr>
<td>Tier 3</td>
<td>86%</td>
<td>110%</td>
</tr>
<tr>
<td>Tier 2</td>
<td>57%</td>
<td>100%</td>
</tr>
<tr>
<td>Tier 1</td>
<td>0.3%</td>
<td>0.4%</td>
</tr>
<tr>
<td>Total All Tiers</td>
<td>30%</td>
<td>46%</td>
</tr>
</tbody>
</table>

Placement of Categories on Tier levels is shown on *Figure 1*. The percentage of *Total Direct Expenses* is the percentage of the Department’s total budget, using direct costs only, that represents the services assigned to each tier.
Figure 1: Redmond Pyramid Model – Direct Costs Only
Key Findings and Recommendations

As the study unfolded, Key Findings were identified that have been addressed through a series of study recommendations. These are shown in the themed chart that follows. As some recommendations for alignment with the model will be a significant change, an initial timeframe has been assigned to each recommendation for implementation within the next one to eight years, with some of the implementation being incremental over the eight year period. Year one is recommended as a planning year, allowing additional research into programs and services and a better understanding of potential cost savings and fee adjustments that can be used to meet new cost recovery targets. Year one will also include staff training and process improvements.

The main purpose of this endeavor has been to create a fair, equitable, and transparent cost recovery system for establishing and adjusting fees and charges. The recommendations will act as the implementation catalyst and internal work plan, and are intended to guide goals, objectives, and decision-making, while creating service sustainability for the Department.

As a result of this intensive and comprehensive process, the Department will begin planning for implementation of strategies and aligning financial resource allocation with newly developed cost recovery targets in year one. It is likely that some adjustments will be made during or at the end of year one including:

- Further clarification or addition of categories.
- Movement of a category to a more appropriate tier.
- Movement of a program or service to a different category.
- Reassignment of costs or recalculation of cost recovery.
- Refinement of cost recovery targets based on any or all of the items bulleted above.

The Department has set its goals based upon values, vision, mission, stakeholder input, funding, and/or other criteria, and has positioned itself to illustrate and articulate where it has been and where it is heading, from a financial perspective. Some recommendations are scheduled to occur in the near future, and others will take time to put into place, while some will be implemented incrementally. It is important that fee change tolerance levels are considered.

Policy Issues for City Council

The following policy issues provide the foundation for the cost recovery model and therefore particular attention to, and approval of these was requested of City Council. All financial data is based on analysis of FY2015.

1. **A general financial policy statement will be adopted to underlie this effort.**
   An umbrella policy statement sets the underlying principles of the cost recovery and service pricing approach. Key elements are below and a full statement is found on in the Recommendations Theme A section of this study).
   a. Basic level of service is free (supported by tax revenues)
   b. Fees are a responsible and necessary supplement
   c. Community benefit = tax dollars
   d. Individual benefit = fees
   e. The greater the individual benefit = higher cost recovery rate
   f. Policy considers economic climate, alternative providers, and market rate
   g. Fee reductions available for economic need
2. **Tier 1 of the model is expected to be supported through tax funding (General Fund and Parks and Recreation Levies)**

   Tier 1 houses services such as operations and maintenance of monitored and non-monitored parks and facilities (including public art) as well as maintenance of non-park City facilities, inclusion services, and the volunteer program. These are seen as services that are of great benefit to the entire community. This Tier makes up 56% of the Department’s budget and is approximately $5.9M direct cost and $6.8M fully-loaded cost (direct, department overhead, and City-wide indirect).

3. **The focus of the cost recovery effort will be Tiers 2 through 5 reaching a target goal of 100% cost recovery of direct costs.**

   Tiers 2 through 5 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, with services such as merchandise for resale, private gatherings, and specialized services in Tier 5. Cost recovery targets increase with each level. The goal of 100% is based on the total of Tiers 2 through 5, on the recovery of direct costs only. The sum of these tiers makes up 44% of the Department’s budget and is currently at 68% cost recovery. This requires a shift of $1.5M of tax support through a combination of cost savings, new revenues, and fee adjustments.

4. **The timeline for reaching the target goal is eight years, with year one serving as a planning year.**

   Although considerable analysis was undertaken to reach this point, additional exploration into program and service structure, market fee tolerance, and evolving services is needed to adequately plan for attaining this aggressive target over the next eight years. A general indication of timeframe is included in the Action Chart below. This will be adjusted as necessary at the end of year one.
**Action Plan Matrix**

### Theme A: Policy and Guidelines

Adopted policies, guidelines, and procedures allow staff to achieve cost recovery targets and maximize revenue generation where appropriate, shifting taxpayer investment/subsidy to those areas more foundational on the pyramid. Any new or revised policy as a result of these recommendations will go through existing development, review, Board, and Council recommendation and approval processes.

<table>
<thead>
<tr>
<th>Key Finding</th>
<th>Recommendation</th>
<th>Timeframe to Complete</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A1.</strong> The City of Redmond does not currently have one comprehensive financial policy regarding a cost recovery and pricing policy</td>
<td><strong>A1:</strong> Seek support, recommendation by Parks and Trails Commission, Finance and Communications Committee, and Parks and Human Services Committee, then by City Council, of the <strong>Cost Recovery Policy.</strong> Ensure long-term sustainability by focusing taxpayer funding on those services producing the widest community benefit, using the cost recovery pyramid.</td>
<td>Immediate with acceptance of this study</td>
</tr>
<tr>
<td><strong>A2.</strong> There Appears to be an Access Barrier for Scholarship Opportunity</td>
<td><strong>A2:</strong> Modify the written <strong>scholarship program guidelines</strong> to provide better access, identifying eligibility requirements, allowable uses, and individual and family limits.</td>
<td>Year 1-2</td>
</tr>
<tr>
<td><strong>A3.</strong> Facility and Program Use Policy (Field and Facility Rental) Should be Updated to Reflect the Findings of this Study</td>
<td><strong>A3:</strong> Review and modify Facility and Program Use Guidelines addressing priority of access, disruption of operations and exceptions to the guidelines, using the language of the Cost of Service Methodology and cost recovery goals established through this study.</td>
<td>Year 1-2</td>
</tr>
<tr>
<td><strong>A4.</strong> Partnership Agreement Administrative Guidelines Do Not Reflect True Nature of Desired Partnerships</td>
<td><strong>A4:</strong> Develop Partnership and Sponsorship philosophy, and guideline of operating procedures to create equity and consistency while maximizing and leveraging resources of the Department.</td>
<td>Year 1-2</td>
</tr>
</tbody>
</table>
| **A5.** Other Fee and Cost Recovery Related “Policies” are Not Necessarily “Policies” under City Definition | **A5:** Review and modify other existing related “policies” as administrative guidelines assuring equity and consistency, including:  
  - City Residency-Non Resident Pricing  
  - Contracted Instructor Fees  
  - Donations Policy  
  - Senior Center Facility Use Reservation and Fee Policy  
  - Senior Citizen Age  
  - Special Events Planning Guide  
  - Concessions Policy | Year 1-2                              |
# Theme B: Administrative Strategies

Best practice management tools will further efforts to evaluate cost recovery and allow systems to support efforts.

<table>
<thead>
<tr>
<th>Key Finding</th>
<th>Recommendation</th>
<th>Timeframe to Complete</th>
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</thead>
<tbody>
<tr>
<td><strong>B1. Cost Accounting for Parks and Recreation at the Activity Level is Challenging</strong></td>
<td>B1: Further refine all of the expenses considered “direct costs” for programs and services and continue to investigate expanding cost accounting functions to create a systemic solution to establishing cost recovery levels more efficiently.</td>
<td>Years 1-2</td>
</tr>
</tbody>
</table>
| **B2. Fund Accounting for Parks and Recreation is Confusing and Somewhat Ineffective** | B2: Restructure the six funds of the Department, working with the Finance Department, minimizing the number of funds and simplifying and providing clear expectations for financial performance of each necessary fund or subset within the General Fund. The six existing funds are:  
  - General Fund  
  - Special Funds  
    - Recreation Activity Fund  
    - Arts Activity Fund  
    - Community Events Fund (consider rolling into the Recreation Activity Fund)  
  - Levy Funds  
    - Park Maintenance and Operations Levy Fund (consider rolling into the General Fund)  
    - Parks Levy Fund also referred to as the Recreation Levy Fund (consider rolling into the General Fund) | Years 1-2 for evaluation and planning  
<pre><code>                                                                                       | By Year 3 for implementation |
</code></pre>
<p>| <strong>B3. The Fee Approval Process Can be Cumbersome</strong>                          | B3: Review all fees for annual adjustments at the staff level and provide an update to City Council through the annual budget process. All fees are subject to automatic CPI adjustments. Fees adjustments for services not effected by a restructuring that exceed 5% will be brought to the attention of City Council. | Years 3-5                                   |</p>
<table>
<thead>
<tr>
<th>Key Finding</th>
<th>Recommendation</th>
<th>Timeframe to Complete</th>
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</table>
| **B4. Determining Self-Sufficiency of the Recreation Activity Fund** | **B4:** Confirm the Recreation Activity Fund as a way to continue to expand program offerings and revenue without the constraints of the General Fund, while eliminating confusion. Move all appropriate programs into the RAF to maximize cost recovery potential (specifically considering the Community Events Fund), while ensuring that programs that do not fit the revenue generation potential remain in the General Fund. Re-measure the RAF at the close of FY 2017 business for cost recovery levels to determine the feasibility of fully allocating City-Wide indirect expenses and the feasibility of a self-sufficient fund. | Years 1-2 for evaluation and planning  
By Year 3 for implementation |
| **B5. Determining Level of General Fund Subsidy Necessary to Support the Department** | **B5:** Focus the use of General Fund Subsidy on those activities, primarily found in Tier 1 of the Pyramid Model, that provide mostly community benefit to the taxpayers of the City. | Years 1-2 |
| **B6. Fee Setting and Adjusting Has Been Ad Hoc and Not Always Timely** | **B6:** Incorporate use of Program Planning and Pricing Worksheet into yearly budget development in an effort to bridge the gap between cost accounting and program planning. Manage program lifecycles through monitoring registration, attendance figures, and cost recovery goals on an ongoing basis. Cancel, retool, and/or replace under-performing services. Set fees using the provided Pricing Strategies and Program Pricing Worksheet, allowing staff to respond to market conditions, opportunities, and service demands in a timely manner. Adjust fees to reflect the Department’s cost recovery philosophy, being sensitive to fee tolerance, and implementing over time as necessary. | Years 1-2 to refine worksheet, then ongoing |
### Theme C: Revenue Generation Strategies

Identification of new sources of revenues, including alternative funding ideas, and exploring their potential will contribute to the Department’s overall financial sustainability.

<table>
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<th>Key Finding</th>
<th>Recommendation</th>
<th>Timeframe to Complete</th>
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</table>
| C1. Revenue Generation Strategies Could be Expanded | **C1.a:** Explore alternative funding sources that strategically align with Department’s mission.  
**C1b:** Expand alternative funding for strategic initiatives through grants for new and existing projects.  
**C1c:** Further the use of sponsorships, in accordance with approved Partnership and Sponsorship Guidelines. Annually update the Department’s valuation of park assets and continually update a list of potential park facility sites, programs, services, events, and other amenities to consider for sponsorship. | Years 1-2 and ongoing  
Years 1-2 for focused effort, then ongoing  
Years 1-2 for focused effort, then ongoing |

### Theme D: Cost Savings-Cost Avoidance Strategies

Identifying practices and methods for service planning and provision will help to consistently ensure the most cost-effective use of resources.

<table>
<thead>
<tr>
<th>Key Finding</th>
<th>Recommendation</th>
<th>Timeframe to Complete</th>
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</table>
| D1. Low Cost Recovery Could be an Indicator of High Expenses | **D1a:** Continue to review internal management practices to identify cost savings practices. 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.  
**D1b:** Continue to maintain current capital and maintenance management plans, appropriately budgeting for ongoing operating expenses to avoid deferring expenses that will multiply in the long run. | Years 1-2 for focused effort, then ongoing  
Ongoing |
Theme E: Tier Specific Cost Recovery Strategies

Developing targets and a timeframe for reaching cost recovery goals focuses the efforts of staff while providing a measurement of success. The following targets are based on a first pass at detailed cost accounting for each program and service. This might need refinement over the first year of implementation, so these should be considered preliminary targets to be re-evaluated prior to year two.

These targets are set to be in addition to what is needed just to keep up with inflationary expenses. The intent is to reach the overall goal for each tier by the end of year eight.

### Key Finding

**E1.** Programs and Services Differ in Their Benefit to the Community as a Whole and to the Individual or Group who Participates; A Broad Brush Approach to Cost Recovery Does Not Work

### Recommendation

<table>
<thead>
<tr>
<th>Tier 5: Mostly Individual Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>E1a:</strong> Continue cost revenue accounting refinement to align revenues and expenditures for all categories in this tier. Tier target should be set to reach minimum of 100% of direct costs in the near term and 160% of direct costs by 2025.</td>
</tr>
<tr>
<td><strong>E1b:</strong> Field/Facility Rentals – For Profit: Create cost and revenue accounting to separate this category of service from Field/Facility Rentals – General Public, and set a target to allow the tier to meet its minimum target.</td>
</tr>
<tr>
<td><strong>E1c:</strong> Merchandise for Resale, Organized Parties, and Private/Semi-Private Lessons should be repriced to reach 100% of direct costs in the near term and 150% of direct costs by 2025. Explore cost avoidance and revenue enhancement avenues.</td>
</tr>
<tr>
<td><strong>E1d:</strong> Permitted Services – Create cost and revenue accounting to separate this category of service and set a target to allow the tier to meet its minimum target.</td>
</tr>
<tr>
<td><strong>E1e:</strong> Professional Leased to Others Services – establish pricing structure for these services to reach 100% of direct costs in the near term and 150% of direct costs by 2025.</td>
</tr>
</tbody>
</table>

### Timeframe to Complete

Evaluation and Planning in Year 1, then incremental adjustments years 2-8
<table>
<thead>
<tr>
<th>Key Finding</th>
<th>Recommendation</th>
<th>Timeframe to Complete</th>
</tr>
</thead>
</table>
| E1. Programs and Services Differ in Their Benefit to the Community as a Whole and to the Individual or Group who Participates; A Broad Brush Approach to Cost Recovery Does Not Work | **Tier 4: Considerable Individual Benefit**  
*E1f:* Continue cost revenue accounting refinement to align revenues and expenditures for all categories in this tier. Tier target should be set to reach minimum of 100% of direct costs in the near term and 130% of direct costs by 2025.  
*E1g:* Advanced/Competitive Activities – Create cost and revenue accounting to separate this category of service and set a target to allow the tier to meet its minimum target.  
*E1h:* Long-term Leases – Identify costs associated with this category of service. Consider market rate.  
*E1i:* Trips – Perform an assessment on the feasibility of programs and services in the category. Assessment should take into consideration current expenses, revenues, participation rates, and the availability of alternative service providers. Reset costs and pricing to reach minimum of 70% of direct costs in the near term and 100% of direct costs by 2022. | Evaluation and Planning in Year 1, then incremental adjustments years 2-8 |
| **Tier 3: Balanced Individual and Community Benefit**  
*E1j:* Continue cost revenue accounting refinement to align revenues and expenditures for all categories in this tier. Tier target should be set to reach minimum of 90% of direct costs in the near term and 110% of direct costs by 2025.  
*E1k:* Field/Facility Rental – General Public and Non-Profit – Create cost and revenue accounting to separate these categories of service from Rentals – for-profit (tier 5) and set cost recovery target to allow the tier to meet its minimum target.  
*E1l:* Specialized Events/Activities – Explore cost avoidance or revenue enhancement avenues for programs and services to increase cost recovery to reach 75% of direct costs in the near term and 110% of direct costs by 2025. Consider partnerships, sponsorships, and grants. | Evaluation and Planning in Year 1, then incremental adjustments years 2-8 |
<table>
<thead>
<tr>
<th>Key Finding</th>
<th>Recommendation</th>
<th>Timeframe to Complete</th>
</tr>
</thead>
</table>
| **E1. Programs and Services Differ in Their Benefit to the Community as a Whole and to the Individual or Group who Participates; A Broad Brush Approach to Cost Recovery Does Not Work** | **Tier 2: Considerable Community Benefit**  
E1m: Continue cost revenue accounting refinement to align revenues and expenditures for all categories in this tier. Tier target should be set to reach minimum of 70% of direct costs in the near term and 100% of direct costs by 2025.  
E1n: Review all categories in this tier to reach minimum of 70% of direct costs in the near term and 100% of direct costs by 2025.  
E1o: Youth Sports League Partnerships – work with Youth League Providers to get them to understand costs associated with providing facilities and increase revenue in this category to reach a minimum 70% of direct costs in the near term and 100% of direct costs by 2025. | Evaluation and Planning in Year 1, then incremental adjustments years 2-8 |
| **E1. Programs and Services Differ in Their Benefit to the Community as a Whole and to the Individual or Group who Participates; A Broad Brush Approach to Cost Recovery Does Not Work** | **Tier 1: Considerable Community Benefit**  
E1p: Monitored Park and Recreation Usage – As the Department moves to a new facility, admission fees for drop-in activities should be set commensurate with the quality of the offering and marketing efforts should be put into place to maximize use  
E1q: Public Art – Pursue the potential for grants, sponsorships, gift giving, and fees when appropriate, to generate revenues to support the Department’s direct costs associated with the operations and maintenance of the Public Art Program.  
E1r: Volunteer Program – Explore the potential for donations, establishing a foundation, and/or establishing a friends group, to reduce costs and/or generate revenue to support this program. | Years 3-5, and incremental adjustments years 3-8 |
| **E2. Social Services, Social Clubs, and Support Groups do not cover any direct costs to the department.** | **Specific Issues**  
E2: Social Clubs/Support Groups and Social Services – Explore cost avoidance or revenue enhancement avenues for programs and services in these categories, including developing stronger more formalized partnerships with service providers. | Years 1 evaluation and planning |
### Key Finding

**E3. Accounting for the Aquatics Program Does Not Include a Direct Expense for Pool Maintenance**

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Timeframe to Complete</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>E3:</strong> WAVE Aquatics – Set a reasonable goal for the City’s return on investment for the Aquatics activity within Tier 2, accurately representing expenses with the inclusion of the pool maintenance costs.</td>
<td>Years 1-2</td>
</tr>
</tbody>
</table>

### Theme F: Planning for the Future - Evaluation & Performance Measures

This first year implementation will allow communication of the philosophy and policy, and adjustment of fees as indicated by the Model. It will also allow for staff to see the implications for overall cost recovery; identify any currently unknown market, historical, and political filters; and allow staff to experience using the methodology. The Department will aid its planning efforts by proactively preparing for the needs of a changing community through a variety of engagement strategies.

<table>
<thead>
<tr>
<th>Key Finding</th>
<th>Recommendation</th>
<th>Timeframe to Complete</th>
</tr>
</thead>
</table>
| **F1. Evaluation Tools and Performance Measures Must be More Specific and More Evident** | **F1a:** Establish program performance measures and base divisional work plans and individual goals on performance measures. Review the performance toward cost recovery goals on an annual basis.  

**F1b:** 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.  
- Benchmark performance by conducting assessments of effectiveness using:  
  - Self-benchmarking  
  - Surveys  
  - Commission for Accreditation of Park and Recreation Agencies (CAPRA) accreditation standards  
  - National Recreation and Park Association (NRPA) National Gold Medal Award winning cities or agencies in the similar population category | Year 2 and Ongoing |
<table>
<thead>
<tr>
<th>Key Finding</th>
<th>Recommendation</th>
<th>Timeframe to Complete</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>F2. Community Engagement will Maximize Efforts to Meet the Needs of the Community</strong></td>
<td><strong>F2a:</strong> Continue to provide ongoing opportunities for community input through a variety of outreach efforts and keeping the input process current and reflective of changing demographics, interests, and economic conditions. <strong>F2b:</strong> Continue collaborations and discussions with other agencies including state and regional agencies, neighboring municipalities, and non-profits, to collectively meet identified needs. <strong>F2c:</strong> Include questions about value of services and fees in community-wide opinion and interest surveys conducted every five to seven years to determine community needs in light of changing demographics.</td>
<td>Ongoing</td>
</tr>
</tbody>
</table>

**Conclusion**

Through these recommendations, the Redmond Parks and Recreation Department is taking on a very aggressive goal of meeting its cost recovery target for 2025 of 100% direct cost recovery for Tiers 2-5. This can be accomplished through a combination of cost saving measures, fee increases, and seeking of alternative forms of revenue. Annual adjustments will need to be sensitive to citizen tolerance as citizens consider their own needs and how they will spend their discretionary dollars.

Having broken down the financial picture to the activity level will allow all Department staff responsible for budgeting for the services they deliver to be proactively engaged in reaching the desired result. The City will need to remain flexible in refining targets as systems for tracking expenditures will provide a more accurate picture as each year goes by, especially the shift from the first to the second year. The Pyramid model has allowed the aligning of service benefits with the form of revenue best suited to support the service, whether taxes, fees, or other forms of revenue.

It has been our pleasure to assist the City and work with the Parks and Recreation and Finance Departments to evolve its sustainability efforts.
I. Cost of Service and Cost Recovery Methodology Study

Introduction

Cost of Service is an identification and calculation of what is required financially to produce or operate a service. 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. 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 0% to more than 100% of direct costs. As cost recovery is defined differently in nearly every organization, this document discusses Cost Recovery as it relates to Redmond Parks and Recreation.

The Project

In 2017, the Redmond Parks and Recreation Department began an effort to establish a cost of service methodology to establish a comprehensive cost recovery and user fee policy for the Department. The project is driven by policy direction identified in Chapter 3 of the Parks, Arts, Recreation, Culture and Conservation (PARCC) Plan. PR-33 defines that the Department will establish and implement financial goals, cost recovery targets, and a subsidy allocation model to inform recreation program decision-making. Overhead costs related to City-wide support functions have already been identified in the City’s Indirect Cost Allocation Plan (updated in 2016) with the exception of potential new rental of recreation space.

The Purpose

The Department desires to evolve a long term strategy, structure, and system that provides for its fiscal health and sustainability and is responsive to the community. This includes a methodology for costing services as well as a cost recovery model that is based on the Department’s mission and is fair and equitable. The methodology and model addresses how the Department defines “cost recovery,” including defining which expenses are included as direct costs, overhead costs and City-wide indirect costs related to services and support provided through other departments of the City.

The Goals

- Analyze current service levels and the resources to meet workload demand.
- Develop a sustainable and justifiable cost model for calculating fees for parks and recreation services.
- Research comparison of proposed fees with those of other comparable jurisdictions to be carried out by staff.
- Recalibrate existing parks and recreation fees based on the City’s Parks and Recreation philosophy and policies including potential new cost layers such as credit card fees, lease of new rental space, and other overhead costs as identified in the City’s 2017-2018 Indirect Cost Allocation Plan.
II. A Philosophy, a Model, and a Policy

Having a Resource Allocation and Cost Recovery Philosophy, Model, and Policy assists in answering challenging questions such as:

- Are our programs priced fairly and equitably?
- Are we using funding in a responsible manner?
- Is there a methodology for the distribution of the tax investment?
- Does the way we charge for services (facilities, programs, etc.) support our values, vision, and mission?

A Best Practice Tool

This comprehensive effort and approach to providing services is undertaken to introduce and implement strong “best practice” business tools to the Department. Parks and recreation services are varied and make up many smaller “businesses” that each have their unique place in the market and appeal to the population in a myriad of ways. The overall goal of this plan is to initiate and sustain practices and examine policy and rules affecting overall desired outcomes of a healthy and vibrant community.

Resource Allocation and Cost Recovery Defined

Resource allocation is how appropriated tax dollars and alternative sources of funding are used. Cost recovery is the amount of the annual operating budgeted expense that can be offset by funding from sources other than general 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 typically supports “core services,” whereas fees and charges usually account for activities and services that benefit individuals. This practice allows 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 mission and vision, typically benefiting all community members. 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. Core services also provide opportunity for partaking in activity, contribute to clean air, and provide 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 or Economic, Environmental, and Social or Recreational – making it very 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 elements of sustainability must be balanced. The financial resources must be adequate to maintain the system into the future, the environment 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 promoting the other benefits of physical activity and mental/emotional engagement. When all three are attended to, a dynamic, yet sustainable system is possible.

Supplementing Taxes with Fees
Parks and Recreation services provide value to the community 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 that benefit 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 takes a swimming lesson or participates in a senior trip, there are certain levels of skill building, social engagement, or entertainment that accrue to that person, but it can still be argued there is a benefit to the community as a whole by teaching people safety around water, and through the social capital and health gained by keeping seniors 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, warrant a fee to cover the entire cost of providing that space.
Determining the Cost of a Program or Activity

Dollars spent will be accounted for specifically by programs and services offered. “Direct” costs include easily tracked expenses such as the cost of an instructor, including benefits, supplies needed, equipment rented, etc. “Indirect” costs within the Department are shared among several programs or services within a division and have been identified in previous efforts of the department for costing services. Department overhead includes the cost of department leadership and other shared costs that have been allocated among all services in this project. “Indirect City-wide costs, previously identified through the City’s Cost Allocation program have also been allocated to all services in this project.

Does “cost recovery” mean that we need to cover all of the costs of a program or activity through fees? No – in most cases where fees are appropriate, the cost recovery target will be set to recover a portion of (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% of the direct cost. Cost recovery can also be accomplished through other forms of revenue such as grants, donations, sponsorships, etc.

Taking Care of Those who Cannot Afford to Pay a Fee
Options are always available for those with economic need. Redmond make provisions through a fee reduction scholarship policy and program. It is not a sustainable practice to keep fees artificially low in order to ensure that all can afford to pay.
III. About Redmond Parks and Recreation

Redmond Parks and Recreation is a department within the City of Redmond municipal government, located in King County, less than 20 miles east of downtown Seattle. The Department serves a population of just over 60,500 residents as well as neighboring jurisdictions.

Within the City of Redmond there is a diverse system of over 31 developed and 14 undeveloped parks on over 1,351 acres with 59 miles of public trails, of which 39 miles are owned and operated by the City. There are three community centers and a pool owned by the City and operated through a private contract. The city prides itself for its high quality of life with good schools, a healthy economic base, a parks system that provides a variety of active and passive recreational opportunities, diverse offerings for shopping and dining, safe neighborhoods, and an emphasis on quality development and protection of the natural environment.

Redmond is well known as a center of technology and as the headquarters of a number of nationally known high-tech and biomedical companies. Among these are Microsoft, Nintendo, Aerojet, Space-X, AT&T Wireless, and Physio-Control. The city is fast growing with one of the youngest, most well-educated, and most affluent populations in the state of Washington. The City of Redmond’s vision for its Parks and Recreation system is, “We build community through people, parks, and programs.” As the city continues to grow and become more diverse, programs will be designed to celebrate its heritage, enhance its neighborhoods, and preserve its historical and national treasures.

Redmond Parks and Recreation Department Mission, Values, and Vision

Mission and values represent principles that create a philosophical framework to guide and direct, and serve as the foundation for all organizational decisions and processes. They also help determine those community conditions that the Department wishes to impact, guiding often-difficult management decisions, substantiating them, and making them justifiable and transparent.

The Department previously established mission, vision, and values that were considered as the process advanced.

Mission

We are leaders in providing sustainable parks, innovative recreation services, unique art, and cultural experiences that continue to build a high quality of life in Redmond.

Vision

We build community through people, parks, and programs.
Values
Service
Passion to make a difference in our community

Integrity
Doing the right thing, not the easiest thing

Innovation
Creativity challenges the status quo

Excellence in Leadership

Through a shared vision we create an environment that serves our community

Redmond Parks and Recreation Department Accounting Structure

The City of Redmond utilizes three types of taxing funds to support the Parks and Recreation Department: the City’s General Fund, Special Funds, and Levy Funds. The City’s General Fund provides the funding for basic recreation services, operations, and customer service intended to be accessible and of benefit to everyone. The Special Funds are comprised of three funds: the Recreation Activity Funds (RAF), Arts Activity Fund, and Community Events Fund. The Levy Funds include the Parks Maintenance and Operations Fund and the Parks Levy Fund, each established to account for monies collected through levy lid lifts. Special Funds and Levy Funds are described in more detail below.

Fund 110 Recreation Activity Fund (RAF)
The RAF was adopted as part of the regular budget process in 1981 and was created as special revenue fund to monitor all fees and activities related to recreation classes, sports leagues, rentals, and other recreation programming. The RAF supports salaries of instructors, supplies, equipment, advertising, and other expenses related to recreation programs. It also supports some salary and benefit costs for recreation employees. The Fund was created to be self-sustaining and any unexpended funds remaining at the end of each biennium are carried forward into the next budget cycle.

Fund 011 Arts Activity Fund
A sub-fund of the general fund, the Arts Activity Fund was established by Ordinance 1378 in 1987. The Fund was created to implement the Council’s policy of contributing 1% of certain capital projects to City funded art as well as a per capita amount for support of art programs. Expenditures for the conduct and support of public programs which afford local opportunities to experience and enjoy the fine and performing arts in Redmond are paid out of the Fund. Any funds remaining at the end of each biennium are carried forward into the next budget cycle.

Fund 013 Community Events Fund
The Community Events Fund created by Ordinance 2196, was approved by Council on 2/17/2004 to account for revenues received and expenses incurred for, but not limited to, the production of special community events in the City. Any funds remaining at the end of each biennium are carried forward into the next budget cycle.
**Fund 012 Parks Maintenance and Operations Fund**
The Parks Maintenance and Operations Fund was first established to account for expenditures and revenues supported by the City’s 1986 levy lid lift for park maintenance and operations. The Fund also receives money in support of the 2007 levy lid lift approved by voters for the maintenance and operations of neighborhood, community, and downtown parks, improved stewardship of natural areas, habitat and forest lands as well as developing city parks to meet growing demand. Any funds remaining at the end of each biennium are carried forward into the next budget cycle.

**Fund 037 Parks Levy Fund**
The Parks Levy Fund, also referred to as the Recreation Levy Fund, was established in 2007 to account for money collected in the 2007 property tax levy lid lift to expand programming at the teen center as well as support after-school programs for elementary and junior high aged children. Any funds remaining at the end of each biennium are carried forward into the next budget cycle.
IV. Project Approach

Project Team
A project team was established to review existing policy, guidelines, and practices; to become familiar with the Pyramid Methodology; to work with citizen stakeholders to understand community values; and to recommend the best cost recovery practices. The Project Team identified typical and measurable direct costs associated with providing programs and services, determined appropriate methodology for allocation of overhead and indirect cost, defined categories of programs and services, and participated in sorting workshops to place Categories of Services on appropriate Pyramid Tiers. Ultimately, the project team acknowledged current cost recovery levels and used them to determine appropriate target cost recovery levels.

Project Schedule
The project was accomplished through a 2017 Workshop Series, each preceded and followed with intensive staff work to understand, gather data, discover, engage with citizen stakeholders, sort, and strategize.

Strategic Kick-Off June 20

Workshop Series
Workshop I July 19-20
Creating the Categories of Service

Workshop II Aug 15-16
Sorting Workshops

Workshop III Sept 21-22
Pricing Strategies
Cost Recovery Targets, Goals & Objectives

Presentation of Findings and Recommendations
City Council Staff Report Oct 3
Parks and Trails Commission Meeting Nov 2
Arts and Culture Commission Meeting Nov 9
City Council Study Session Nov 14
Finance, Administration & Communication Committee Nov 28
Parks and Trails Commission Meeting Dec 7
City Council Action Jan or Feb 2018

This series of workshops and discussions, as well as an activity about the benefits of services provided by the Department, helped to identify how those benefits accrue to the individual or group participants and to the taxing community as a whole, setting the foundation for a cost recovery approach.
Staff and Stakeholder Engagement

The Department hosted two workshops on July 19 and July 20, 2017 with the goal to gather input from staff, commission, board, and stakeholders for the development of a taxpayer investment/resource and cost recovery philosophy. This model, based on the Pyramid Methodology, will be a component of ongoing planning and budgeting processes. At the workshops, participants were asked to identify where programs and other inter-related core services fit within the pyramid model using a benefits filter.

The effort is based on a community values-based conversation. Participants dedicated time to participate in discussions, along with an activity about balancing the community benefits and individual benefits of programs and services provided by the Department. This approach allows staff to understand which programs and services are considered to have mostly community benefits, which ones have mostly individual benefits, and which ones have a balance of benefits in between. It also allowed participants to better understand their fellow participants’ 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 higher individual benefits will be recommended to have a higher cost recovery ratio.

The Cost Recovery Pyramid Methodology

The 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 that applies this methodology.

Application of the pyramid methodology begins with the Mission 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?
- 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
Step 2: Understanding the Pyramid Methodology, the benefits filter, and secondary filters
Step 3: Developing the organization’s Categories of Service
Step 4: Sorting the Categories of Service onto the Pyramid
Step 5: Defining Direct and Indirect Costs
Step 6: Determining (or confirming) current tax investment/cost recovery levels
Step 7: Establishing cost recovery/tax investment goals
Step 8: Understanding and Preparing for Influential Factors and Considerations
Step 9: Implementation
Step 10: Evaluation

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 and recreation services ultimately pay for services. Envision a pyramid sectioned horizontally into five levels.

A brief description of the process follows, and a full description of the Pyramid Methodology is provided in Appendix A.

Step 2: Understanding the Pyramid Methodology, Benefits Filter, and Secondary Filters
The creation of a cost recovery and tax investment 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 and recreation 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 is intended to represent public parks and recreation’s 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. Secondary filters are described in Appendix A.
**MOSTLY COMMUNITY Benefit**
The foundational level of the Pyramid is the largest, and 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 with 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 and recreation 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, therapeutic recreation programs and services, recreation leagues, 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: camps and after school programs, beginning level instructional programs and classes, teen programs, 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 may be priced to recover full cost, including all direct expenses.

Examples of these services could include: trips, 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 be priced to recover full cost in addition to a designated profit percentage.

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

Step 3: Developing the Organization’s Categories of Service
Prior to sorting each program and service onto the Pyramid, the project team took on the daunting task of reviewing, analyzing, and sifting through many individual programs and services in an effort to create the Department’s Categories of Services, including definitions and examples. “Narrowing down” facilities, programs, and services and placing them in categories (groups of like or similar service) that best fit their descriptions allowed a reasonable number of items to be sorted onto the pyramid tiers using the Individual and Community Benefit filter.

Thirty-seven (37) categories were identified as listed below. The charge to both staff and citizen stakeholders 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 mostly providing an Individual benefit. There was also discussion of consideration of additional filters (discussed Step 8 below and in Appendix A), which often hold a secondary significance in determining placement on the Cost Recovery Pyramid.
### Categories of Service (37)
- Concessions and Vending
- Merchandise for Resale
- Private/Semi-Private Lessons
- Equipment Rentals
- Organized Parties
- Permitted Services
- Facility/Field Rental (For Profit)
- Professional/Leased-to-Others Services
- Youth/Advanced Competitive Programs
- Adult/Advanced Competitive Programs
- Attractions
- Trips
- Long Term Leases
- Social Services
- Adult Beginner/Intermediate Programs
- Youth Leagues
- Adult Leagues
- Tournaments
- Specialized Events/Activities
- Special External Events
- Social Clubs or Support Groups
- Facility/Field Rental (General Public)
- Facility/Field Rental (Non-Profit)
- Youth Beginner/Intermediate Programs
- Mixed-Age/Family Multi-level Programs
- Camps/Before & After School/Preschool
- Youth Sports Leagues Partnerships
- Work Study/Intern/Community Service/Work Release
- Therapeutic/Adaptive/Special Recreation Services
- Scholarship
- Non-Staffed Park/Facility
- Maintenance of Non-Park Facilities
- Monitored Park Facility
- Community-wide Events
- Public Art Program
- Volunteer Program
- Inclusion Services

### Step 4: Sorting the Categories of Service onto the Pyramid
This step was completed with staff 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 effort must reflect the community and align with the mission of the Department.

The sorting process was a challenging step and 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 the community, about adults versus youth versus seniors, about advanced versus intermediate and beginning programs, about special events, athletic fields, and rental involving the general public, non-profit and for-profit entities, etc. It was important to push through the “what” to the “why” to find common ground.

Figure 2 on page 33 identifies where the categories were sorted onto the pyramid.
Step 5: Defining Costs
The definition of direct and indirect costs can vary from agency to agency. The most important aspect to understand is that 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.

The Department has defined direct, department overhead, and indirect costs as follows:

**DIRECT COST:**
Direct costs are those costs that are directly attributable to efforts to put on a program or service. Examples are supplies, direct marketing, facility rates, and staff including supplemental and full-time hourly rates. Costs are identified easily and with a high degree of accuracy.

**DEPARTMENT OVERHEAD COST:**
Indirect cost incurred by the Parks and Recreation Department that are not directly attributable to a program or service but are necessary to support the effort and are incurred for a common objective.

An annual indirect expenditure for Parks and Recreation administration and marketing is calculated and then divided by cost center based off their percentage of the whole budget. Each cost center is assigned administration and marketing rates; then rates are divided and assigned to programs.

Examples of Indirect Cost (Parks and Recreation) include marketing mailers, website, one full-time staff member (graphic designer), Guest Services Support (3FTEs and supplemental staff), credit card fees, and ActiveNet Fees.

**INDIRECT COST (City of Redmond Centralized Services):**
Indirect costs are not directly attributable to a program or service, but are necessary to support the effort. These costs are allocated to the department on an annual basis by the Finance Department. Examples are Information Services, Human Resources, and Finance.

Step 6: Determining (or Confirming) Current Tax Investment/Cost Recovery Levels
This establishes the expectation that the agency will confirm or determine current cost recovery and subsidy allocation levels by category of services based upon the definition of costs. Consideration of revenue sources and services costs is included in this step. For example, in an agency the size of the City of Redmond, staff may not be cost accounting consistently, and these inconsistencies become apparent. Results of this step identify what it costs to provide services to the community, whether staff has 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.
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 cost recovery levels. As costing of services and matching revenues is a very revealing process, realistic and feasible targets have been recommended to align with the pyramid model and also to meet specific financial objectives for recovery of direct and indirect cost. These targets are identified on the Departments Pyramid Model.

Step 8: Understanding and Preparing for Influential Factors and Considerations
Inherent to sorting programs onto the Pyramid model using the Benefits and other filters is the realization that 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 services versus ancillary services. These factors are described in Appendix A and include participant commitment, trends, political issues, marketing, relative cost to provide the service (cost per participant), current economic conditions, and financial goals.

Step 9: Implementation
The Department has set its goals based upon values, vision, mission, stakeholder input, funding, and/or other criteria. Upon completion of steps 1-8, the Department has positioned itself to illustrate and articulate where it has been and where it is heading from a financial perspective. Some recommendations are scheduled to occur immediately, and others will take time to put into place, while some will be implemented incrementally. It is important that fee change tolerance levels are considered.

Step 10: Evaluation
This process has been undertaken in order to articulate a philosophy, train staff on a best practice ongoing approach to cost recovery in public parks and recreation, and enhance financial sustainability. Performance measures have been established through cost recovery targets, specific recommendations have been made for services found to be out of alignment, and evaluation of goal attainment is recommended to take place annually.
V. The Redmond Parks and Recreation Department Cost Recovery Pyramid Model Result

A Consensus Pyramid

A consensus pyramid from the public sorting process was created with each category of service placed in the appropriate tier of the pyramid based on the benefits filter and other filters. Current cost recovery percentages were calculated based on a more specific and consistent definition of direct, overhead, and indirect costs identified during this process.

Cost Recovery Targets

Cost recovery targets were then identified for each level of the Pyramid to assist in future planning and determination of appropriate pricing. These targets are expressed as tier minimums on the Cost Recovery Pyramid. The Target Tier Minimum Cost Recovery percentages represent the minimum cost recovery for the average of all categories of service within that tier based on direct costs only. These percentages were established by analyzing to which categories of service resources were allocated by each tier or level, coupled with consideration of current cost recovery based on the definitions of direct costs. GreenPlay also considered best practice target levels based on its work with other agencies.

Using direct costs only, Current and Target Cost Recovery by Tier is shown in Table 2 below. The Target Cost Recovery of 46% equates to a minimum of 100% cost recovery for Tiers 2 through 5. It is anticipated that a plan will be formulated to reach this target through a combination of cost savings, new revenue streams, and fee adjustments over the next eight years.

<table>
<thead>
<tr>
<th>Categories of Service</th>
<th>Current Cost Recovery %</th>
<th>Target Cost Recovery %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 5</td>
<td>69%</td>
<td>160%</td>
</tr>
<tr>
<td>Tier 4</td>
<td>81%</td>
<td>130%</td>
</tr>
<tr>
<td>Tier 3</td>
<td>86%</td>
<td>110%</td>
</tr>
<tr>
<td>Tier 2</td>
<td>57%</td>
<td>100%</td>
</tr>
<tr>
<td>Tier 1</td>
<td>0.3%</td>
<td>0.4%</td>
</tr>
<tr>
<td>Total All Tiers</td>
<td>30%</td>
<td>46%</td>
</tr>
</tbody>
</table>

The Redmond Pyramid with a first pass at current cost recovery levels is shown in Figure 2. Current cost recovery will be refined over the first year of implementation as steps are taken to more accurately account for revenues and expenditures by service area. The Tier Aggregate is simply a measure of all of the services on each tier under current accounting practices. The percentage of Total Direct Expenses is the percentage of the Department’s budget, based on direct costs only, that represents the services assigned to each tier.
**Figure 2** also shows the recommended minimum target cost recovery for each tier of the pyramid to reach 100% recovery of direct costs. This determination was made to reflect the Redmond community and align with the thinking of policy makers regarding broad picture financial goals and objectives. It also considers the value of the offering and what the community will think is reasonable, as well as current cost recovery levels. Within each tier, each category of service will be evaluated to bring it into alignment within the tier target.

It is not intended that every category of service necessarily meets the established tier minimum, but that the tier as a whole is at or above the tier target. The tier target minimum cost recovery percentages are attempting to recover only direct and Department allocated cost of service provision, not all costs or a fully loaded (Department overhead and City-wide indirect) cost. Minimum targets range from zero cost recovery (or free) for those programs and services in the base (Tier 1 *Mostly Community Benefit*) level such as Non-monitored Park/Facility Usage, to direct cost recovery of 160% for the (Tier 5 *Mostly Individual Benefit*) level, such as Permitted Services and Private/Semi-Private Lessons.
VI. Establishing Fees and Charges

Developing a 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 C 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.

The following concepts were discussed and defined over several months.

<table>
<thead>
<tr>
<th>Costs are defined as:</th>
<th>Fees are defined as:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Direct Cost</strong>: Costs that are directly attributable to</td>
<td><strong>Partial Cost Fee</strong>: A fee recovering something less</td>
</tr>
<tr>
<td>efforts to put on a program or service. Examples are</td>
<td>than the full cost. This could be a percentage of direct</td>
</tr>
<tr>
<td>supplies, direct marketing, facility rates, and staff,</td>
<td>costs, all direct costs, or some combination. The remaining</td>
</tr>
<tr>
<td>including supplemental and full-time hourly rates. Costs</td>
<td>portion of the costs will be subsidized.</td>
</tr>
<tr>
<td>are identified easily and with a high degree of accuracy.</td>
<td><strong>Full Cost Fee</strong>: A fee based on a traditional price-cost</td>
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<tr>
<td></td>
<td>relationship; recovers the total cost of a service or program</td>
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<tr>
<td></td>
<td>including all direct costs, enabling the break-even point to</td>
</tr>
<tr>
<td></td>
<td>be reached. Full-cost recovery is often used as a strategy</td>
</tr>
<tr>
<td></td>
<td>for services perceived as “private,” benefiting only users</td>
</tr>
<tr>
<td></td>
<td>while offering no external benefits to the general community.</td>
</tr>
<tr>
<td><strong>Department Overhead Cost</strong>: Costs incurred by the Parks</td>
<td><strong>Market Rate Fee</strong>: Fee based on demand for a service or</td>
</tr>
<tr>
<td>and Recreation Department that are not directly attributable</td>
<td>facility. The market rate is determined by identifying all</td>
</tr>
<tr>
<td>to a program or service but are necessary to support the</td>
<td>providers of an identical service (Examples: private sector</td>
</tr>
<tr>
<td>effort and are incurred for a common objective.</td>
<td>providers, other municipalities, etc.), and setting the fee</td>
</tr>
<tr>
<td></td>
<td>at the highest level that the market will bear.</td>
</tr>
</tbody>
</table>

An annual indirect expenditure for Parks and Recreation administration and marketing is calculated and then divided by cost center based on their percentage of the whole budget. Each cost center is assigned administration and marketing rates; then rates are divided and assigned to programs.

Examples of Indirect Cost (Parks and Recreation) include marketing mailers, website, one full-time staff member (graphic designer), Guest Services Support (3FTEs and supplemental staff), credit card fees, and ActiveNet Fees.

**Indirect Cost (City of Redmond Centralized Services):**

Costs not directly attributable to a program or service, but are necessary to support the effort. These costs are allocated to the department on an annual basis by the Finance Department. Examples are Information Services, Human Resources, and Finance.
Criteria for Establishing Fees and Charges

Low or No Cost Recovery/High or Full Tax investment:
This criteria applies 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 Cost Recovery/Partial Tax investment:
This criteria applies 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.
- A user fee 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.

Substantial Cost Recovery:
This criteria applies 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.
Full Cost Recovery/No Tax investment:
This criteria applies 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.

Comparative Analysis
As part of a pricing methodology, comparative analysis of differing fees structures can reveal market rates and competitive pricing in the market place. Comparative analysis (benchmarking) is an important tool allowing for comparison of certain attributes of the Department’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. Suggested criteria are found in Appendix D for future reference.

As a part of this study, a fee comparison was undertaken by staff with the cities of Auburn, Bellevue, Issaquah, Kent, Kirkland, and Renton. Programs compared were youth basketball league, senior day trips, summer day camp, fit-pass/drop-in fitness, youth art class, preschool, and senior fitness. At first blush, Redmond is on the high end of fees from most comparisons, possibly indicating that Redmond is likely a leader in the market and as the City increases fees, so might others. Redmond will need to further explore the benchmarking information to ensure an apples-to-apples comparison; will need to focus on restructuring of programs and cost savings as fees increase; and will need to conduct a market analysis at the programmer level, which will be critical to the Department’s success.

Programming Planning and Pricing Worksheets
Programming Planning and Pricing Worksheets are in use in the Department and will be refined to reflect costing as defined in this study and to include the newly defined cost recovery targets.
VII. Key Findings

The extensive effort undertaken during this study has brought to light key findings that are critical to addressing financial goals, cost recovery targets, and fee setting and decision-making. Key findings and recommendations have been developed and grouped into the following themes:

**Theme A: The Financial Policy Framework**

**A1. Current Policy is not Comprehensive nor Complete**

The Redmond Parks and Recreation Department does not have one comprehensive financial policy regarding a cost recovery and pricing policy; however, it does have various policies and practices addressing certain elements of cost recovery and pricing including:

- Scholarship Policy and Administrative Guidelines
- Facility and Program Use Policy
- Partnership Agreement Administrative Guidelines
- Other related policies and guidelines:
  - City Resident-Non Resident Pricing
  - Contracted Instructor Fees
  - Donations Policy
  - Senior Center Facility Use Reservation and Fee Policy
  - Senior Citizen Age
  - Special Events Planning Guide
  - Concessions Policy

Each of these policies and guidelines is very useful in establishing fees; however, they do not articulate an underlying philosophy. The following overarching policy language is suggested.

**Suggested Policy Language**

*As a publicly financed park system, the Redmond Parks and Recreation Department 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 Parks and Recreation Department 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 offered 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 that visitors can use exclusively, and products and services that may be purchased, provide examples where user fees are appropriate.*
The Parks and Recreation Department should 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 Department 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 Department 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.

A2. There appears to be an Access Barrier for Scholarship Opportunity

The Department provides fee assistance to those with economic need as outlined in its Scholarship Policy and Administrative Guidelines (Appendix E). The funding for this purpose is designated as 1% of the Recreation Activity Fund which equates to approximately $20,000 annually. A higher level of scholarship funding is more typical in parks and recreation departments, indicating that there may be barriers to accessing these funds, as they are not being fully used each year. This important program needs to be revisited to make the application process less cumbersome while still being sensitive to residents’ circumstances, especially as a more aggressive cost recovery program is put into place.

A3. Facility and Program Use Policy (Field and Facility Rental) Should be Updated to Reflect the Findings of this Study.

The Department provides guidelines for fees and charges to be assessed for facility rental in its Facility and Program Use Policy. “IV. FEES AND CHARGES FOR CITY SPONSORED CLASSES, PROGRAMS AND ACTIVITIES Sections A and B and VI.A.3. Fees: A fee will be charged to reserve use of all Parks Department facilities. Actual fees are set forth in the Fees and Charges Schedule,” should be rewritten to reflect the language of the Cost of Service and Cost Recovery Methodology Study and its established cost recovery goals.

A4. Partnership Agreement Administrative Guidelines Do Not Reflect True Nature of Desired Partnerships

The current Partnership guidelines provide “criteria” for “organizations seeking an exception or reduced rental fees” as:

- “Non-Profit 501 (c)(3) organizations or agencies
- Organizations that are open to the general public
- Organizations that provide a Redmond community service or City of Redmond public benefit program
- Organizations that offer a service that the City of Redmond is not currently providing”
This is written creating an exception to paying full facility rental fees. The criteria section should be re-written establishing the premise of a true partnership with the Redmond Parks and Recreation Department with mutual goals and outcomes desired. Facility use costs should be addressed in the guidelines as a cost of the endeavor and calculated as a value the City offers in the partnership. A partnership should not be represented first and foremost as a method of waiving or discounting fees. In addition, specific guidelines for sponsorship opportunities should be written and included in the Partnership Agreement Administrative Guidelines. Sample document language for both partnerships and sponsorships has been provided to the Department.

A5. Other Fee and Cost Recovery Related “Policies” are Not Necessarily “Policies” under City Definition
The following should be reviewed and rewritten as “Administrative Guidelines” rather than “policies”:
- City Resident-Non Resident Pricing
- Contracted Instructor Fees
- Donations Policy
- Senior Center Facility Use Reservation and Fee Policy
- Senior Citizen Age
- Special Events Planning Guide
- Concessions Policy

Theme B: Administrative Strategies

B1. Cost Accounting for Parks and Recreation at the Activity Level is Challenging
The process of accounting for expenses in a more detailed, consistent manner in order to readily identify the cost recovery rates for each category of service can be challenging. The initial effort is considered to be a start, and work will continue, particularly during the first year of implementation, to further refine the calculations. During the first year of implementation, staff will have the opportunity to respond to the volume of information that is now available to them, allowing them to further refine definitions and calculations, and re-evaluate early decisions made in this process.

Tracking of expenditures at the activity level is not possible with the existing accounting structure. The structure needs to be expanded to allow coding at the activity level so that cost recovery can be accurately measured and used as an effective planning tool.

B2. Fund Accounting for Parks and Recreation is Confusing and Somewhat Ineffective
The Department’s financial resources are currently structured into six different funds including:
- General Fund
- Special Funds
  - Recreation Activity Fund
  - Arts Activity Fund
  - Community Events Fund
- Levy Funds
  - Park Maintenance and Operations Levy Fund
  - Parks Levy Fund also referred to as the Recreation Levy Fund
These funds were created over time as new funding sources were established, but do not serve as an efficient means of managing or tracking department expenditures and revenues. There appears to be no compelling reason to continue with this structure whose complexity provides little in the way of clear definition and distinctive performance goals. The fund structure should be simplified to provide more clear direction and distinctive funds only as absolutely necessary.

B3. The Fee Approval Process Can be Cumbersome
Programming and fee setting is a very dynamic process with implications from restructuring offerings, to changing costs, intensifying experiences to meet customer desires, etc., and keeping up with increasing expenses due to inflating costs. One outcome of this process is to create a better understanding by all of how fee setting occurs and goals for cost recovery based on a benefits filter and also market fluctuations. As a result of this understanding there is a desire to simplify the approval process, giving the Department the latitude needed to be nimble when making fee adjustments in order to meet customer needs, providing value for their discretionary spending.

B4. Determining Self-Sufficiency of the Recreation Activity Fund
The Recreation Activity Fund 110 (RAF) was adopted as part of the regular budget process in 1981 for the year commencing in 1982. The Recreation Activity Fund (RAF) was created as a “Special Fund” and established to monitor all pass through monies generated from activities, classes, sports leagues, rentals, and recreation programs. The creation of the RAF was necessitated to meet and serve the market demand. Recreation needed a way to continue to expand program offerings and revenue without the constraints of the General Fund. The RAF pays salaries to instructors and some recreation employees. It also funds supplies and equipment in support of these programs, advertising, and rental of facilities and equipment. It is intended to be a self-sustaining fund.

This Special Fund, unlike the other Special Funds, receives no General Fund support, and has been subject to an allocation of City-wide Indirect Costs at <50% of the calculated allocation. It also has not been accessed its proportionate allocation of Department Overhead costs which have been identified through this study.

Table 3: 2016 Recreation Activity Fund (RAF) Expenditures and Revenues

<table>
<thead>
<tr>
<th>2016 Recreation Activity Fund</th>
<th>2016 Actual Expenditures</th>
<th>2016 Actual Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recreation – Outdoor – Admin</td>
<td>$564,926</td>
<td>Park User Fees</td>
</tr>
<tr>
<td>Recreation – Adaptive – Admin</td>
<td>$134,896</td>
<td>Old Firehouse Teen Center Sales</td>
</tr>
<tr>
<td>Recreation – Admin</td>
<td>$716,818</td>
<td>Recreation Class Fees</td>
</tr>
<tr>
<td>Recreation – Admin – Marketing</td>
<td>$103,628</td>
<td>Investment Interest</td>
</tr>
<tr>
<td>Recreation – Community – Arts</td>
<td>$22,380</td>
<td>Facility Rental</td>
</tr>
<tr>
<td>Recreation – Community – Clay Studio</td>
<td>$51,966</td>
<td>Private Contributions</td>
</tr>
<tr>
<td>Recreation – Community – Preschool</td>
<td>$115,326</td>
<td>Misc. Revenue</td>
</tr>
<tr>
<td>Recreation – Facilities – Senior Center Ops</td>
<td>$145,722</td>
<td>Special Event Payment</td>
</tr>
<tr>
<td>Recreation – Outdoor – Equestrian</td>
<td>$186,713</td>
<td></td>
</tr>
<tr>
<td>Recreation – Sports – Admin</td>
<td>$412,696</td>
<td></td>
</tr>
<tr>
<td>Recreation – Sports – Fitness</td>
<td>$262,395</td>
<td></td>
</tr>
<tr>
<td>Recreation – Teens – Admin</td>
<td>$49,555</td>
<td></td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td><strong>$2,767,022</strong></td>
<td><strong>Cost Recovery</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>97%</strong></td>
</tr>
</tbody>
</table>
The preceding chart shows 2016 activity in the RAF Fund. This is with only a partial allocation of City-wide indirect expense ($160,000 of $349,507). By adding the remainder of the City-wide allocation, fund performance cost recovery would have been 90%. This, however, still does not include an allocation of department wide overhead (which was not determined by Fund in the 2015 work effort).

At this time there is a somewhat arbitrary assignment of recreation activities between the Recreation Activity Fund and the General Fund. In the financial analysis for this study, it was not possible to separate by fund, as the laborious manual work done in 2015 to identify expenditures by activity was not done by fund. Although it is not possible to measure the exact impact to this fund of the recommendations for cost recovery increases in this study, it can be assumed that as many of the activities in the fund are scheduled for increases, the cost recovery will increase substantially. It is a goal of the Department for this to be a self-sustaining fund; however, it is not clear at this time whether this is a feasible goal. As coding and tracking of expenditures improves, cost recovery can be measured after the fact to help determine if it is possible.

The RAF is critical to the flexibility needed for the Department to operate effectively, and it also provides the incentive needed for ensuring its financial performance. However, there needs to be more clarity regarding the purpose of the fund and how it is used, and appropriate performance measures so that it is evident which activities fit the criteria for the Fund and what performance measures are feasible.

**B5. Determining Level of General Fund Subsidy Necessary to Support the Department**

In 2016, the General Fund provided for 51% or $6,182,604 of the $12,078,593 Parks and Recreation Department Budget. This budget figure includes approximately $175,000 in City-wide Indirect costs charged to the Recreation Activity Fund.

<table>
<thead>
<tr>
<th>2016 Parks and Recreation Department General Fund Subsidy</th>
<th>2016 Total Department Budget by Section</th>
<th>Percent of Total Department Budget</th>
<th>2016 Actual General Fund Subsidy</th>
<th>Percent of Actual General Fund Subsidy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Park Operations</td>
<td>$5,885,327</td>
<td>49%</td>
<td>$3,919,138</td>
<td>63%</td>
</tr>
<tr>
<td>Parks Admin</td>
<td>$621,460</td>
<td>5%</td>
<td>$563,050</td>
<td>9%</td>
</tr>
<tr>
<td>Parks – Recreation</td>
<td>$4,823,506</td>
<td>40%</td>
<td>$1,324,839</td>
<td>21%</td>
</tr>
<tr>
<td>Arts – GF Transfer</td>
<td>$270,414</td>
<td>2%</td>
<td>$142,943</td>
<td>2%</td>
</tr>
<tr>
<td>Events – GF Transfer</td>
<td>$477,886</td>
<td>4%</td>
<td>$259,635</td>
<td>4%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$12,078,593</strong></td>
<td><strong>100%</strong></td>
<td><strong>$6,182,605</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Tier 1 of the Pyramid Methodology in large part accounts for activity of the Department with wide public appeal. It anticipates a very low cost recovery as residents expect that these types of activities are paid for through their taxes. In the 2015 data analyzed, the subsidy required to support the Direct Costs of Tier 1 of the Pyramid was $5,887,513 (or $6,064,138 adding an inflationary factor of 3%), very close to the 2016 Actual General Fund Subsidy of $6,182,605 shown in the chart above.
B6. Fee Setting and Adjusting Has Been Somewhat Ad Hoc and Not Always Timely

It is recognized that market, historical, and political factors play a major role in any fee change, and the sensitivity to these issues is paramount while the adjustments take place to meet goals over time. It is not expected that all fees will be adjusted, but that fees will be examined with each budget, program, and marketing cycle for appropriate categorization, with a goal of implementing the Pyramid Tier cost recovery goals, as possible. Fees will be adjusted over a period of time through Department evaluation and recommendations as each budget cycle is prepared.

Fees and charges for City facilities and programs will be adjusted as part of the budgeting process. However, it should be noted that across the country, 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, avoiding the pitfalls of increasing or holding steady on revenue generation while number of participants significantly decreases.

Staff should determine where competitive and market pricing best fits with services, along with how partial and full cost recovery fees can best meet targeted cost recovery goals, and develop a methodology and process for periodic fee reviews, including resource identification, comparative analysis criteria, and benchmark data when preparing to complete Programming Planning and Pricing Worksheets.

Theme C: Revenue Generation Strategies

C1. Revenue Generation Strategies Could be Expanded

GreenPlay has been working across the country with public parks and recreation agencies for the past 18 years and has identified many revenue generation strategies in addition to the traditional property and sales tax and fees for programs and rentals. This information has been shared with the Department in order to identify potential new revenue sources that can help improve cost recovery rates. See Recommendations for examples of strategies relevant to Redmond.

Theme D: Cost Savings and Cost Avoidance Strategies

D1. Low Cost Recovery Could be an Indicator of High Expenses

Adjusting fees and charges to reflect a value-based approach to pricing is only one strategy to maximizing cost recovery and leveraging existing funding. Measuring cost recovery provides indications of services that should be examined for cost saving/avoiding tactics. Expenses may be minimized through avenues such as restructuring of programs, management efficiencies, and partnering. See Recommendations for examples of strategies relevant to Redmond.
Theme E: Tier Specific Programming Strategies for Cost Recovery

E1. Programs and Services Differ in Their Benefit to the Community as a Whole and to the Individual or Group who Participates; A Broad Brush Approach to Cost Recovery Does Not Work

Through this study, programs and services have been separated into categories of service and placed in tier levels on a pyramid model to represent and align benefit received with source of funding (mandatory tax or discretionary fee). Targets for minimum cost recovery for each tier were then determined to reflect that alignment with the percentage of tax dollars as a funding source decreasing and the percentage of fees and charges increasing from the bottom to the top of the pyramid. During the evaluation of the first year of implementation, it is possible that some services may be better defined and moved to more appropriate categories. This may result in Target Tier Minimums being adjusted for year two, while still accomplishing the same goals. Recommendations for cost recovery adjustments through decreasing expenses and/or increasing revenues can then be strategically made.

E2. Social Services and Social Clubs/Support Groups are provided through partners at Department facilities, but they do not generate any revenue to cover the direct costs to the Department.

Partners are engaged to provide direct service to citizens (primarily seniors) that deliver social, wellness, or safety benefits that do not fit into other traditional park and recreation instructional, special event and/or athletics offerings (examples: tax preparation services, meals on wheels, flu shots, toenail and foot care, literacy, blood pressure clinic, AARP driving course, Alzheimers support group, Medicare Made Easy, etc.). Social clubs include RSC Interest Groups, gardening club, teen programming at teen center, games like bridge, poetry or book club, etc.). These services do not currently have associated fees, and therefore, do not generate revenue to cover the direct costs of the Department for providing for them. A determination should be made regarding the intent of these programs regarding cost recovery. Should this be seen as a desire of the City to subsidize these services, these categories of service would be better placed in Tier 1 with no expectation for cost recovery (assuming a continued partnership service delivery strategy).

E3. Accounting for the Aquatics Program Does Not Include a Direct Expense for Pool Maintenance

The City has a direct expense of $75,000 per year for pool maintenance through the Public Works Department that is not accounted for as a direct expense of the Aquatics activity. Instead, it is included as part of the City-wide Indirect Allocation and attributed against all activities of the Department. The WAVE Aquatics Financial Statement 2012-2016 shows a considerable increase in net income in 2016 from operations from the previous four years resulting in a net income of $94,615. This is primarily due to a significant increase in swim instruction and camps. This is split equally by WAVE Aquatics and the City resulting in a payment to the City of $47,308. With the addition of the direct pool maintenance expense, 2016 performance would move from a positive net of $47,308 to the City to a negative net of <$27,692>. While setting a reasonable goal for the City’s return on investment for the Aquatics activity, expenses would be more accurately represented with the inclusion of the pool maintenance expense.
**Theme F: Planning for the Future - Evaluation and Performance Measures**

**F1. Evaluation Tools and Performance Measures Must be More Specific and More Evident**
This study has been an examination of all programs and services from a cost recovery perspective. Knowing the current status allows the setting of specific performance measures for the future. In addition to cost recovery other information provides valuable indicators of performance that must be considered as well.

This first year implementation of study recommendations will allow communication of the philosophy and policy, and adjustment of fees as indicated by the Model. It will also allow for staff to see the implications for overall cost recovery; identify any currently unknown market, historical, and political filters; and allow staff to experience using the methodology.

**F2. Community Engagement will Maximize Efforts to Meet the Needs of the Community**
The Department can aid its planning efforts by proactively preparing for the needs of a changing community through a variety of community engagement strategies.
VIII. Strategic Recommendations

The main purpose of this endeavor has been to create a fair, equitable, and transparent cost recovery system for establishing and adjusting fees and charges. The recommendations will act as the implementation catalyst and internal work plan, and are intended to guide goals, objectives, and decision-making, while creating service sustainability for the Department.

As a result of this intensive and comprehensive process, the Department will begin implementing strategies and aligning financial resource allocation with newly developed cost recovery targets in year one. It is likely that some adjustments will be made during or at the end of the first year including:

- Further clarification or addition of categories.
- Movement of a category to a more appropriate tier.
- Movement of a program or service to a different category.
- Reassignment of costs or recalculation of cost recovery.
- Refinement of cost recovery targets based on any or all of the items bulleted above

Theme A: The Financial Policy Framework

Adopted policies, guidelines, and procedures allow staff to achieve cost recovery targets and maximize revenue generation where appropriate, shifting taxpayer investment/subsidy to those areas more foundational on the pyramid. Any new or revised policy or guideline as a result of these recommendations will go through existing development, review, and Commission or Committee and Council recommendation and approval processes.

A1: Seek support, recommendation by Parks and Trails Commission, Finance and Communications Committee, and Parks and Human Services Committee, then by City Council, of the Cost Recovery Policy. Ensure long-term sustainability by focusing taxpayer funding on those services producing the widest community benefit, using the cost recovery pyramid.

A2: Modify the written Scholarship Policy and Administrative Guidelines to provide a better access through a less cumbersome process, identifying eligibility requirements, allowable uses, and individual and family limits.

A3: Review and modify Facility and Program Use Guidelines addressing priority of access, disruption of operations and exceptions to the guidelines, using the language of the Cost of Service Methodology and cost recovery goals established through this study.

A4: Develop Partnership and Sponsorship philosophy, and guideline of operating procedures to create equity and consistency while maximizing and leveraging resources of the Department.
A5: Review and modify other existing related “policies” as administrative guidelines, assuring equity and consistency, including:
- City Residency-Non Resident Pricing
- Contracted Instructor Fees
- Donations Policy
- Senior Center Facility Use Reservation and Fee Policy
- Senior Citizen Age
- Special Events Planning Guide
- Concessions Policy

Theme B: Administrative Strategies

Best practice management tools will further efforts to evaluate cost recovery and allow systems to support efforts.

B1: Further refine all of the expenses considered “direct costs” for programs and services and continue to investigate expanding cost accounting functions to create a systemic solution to establishing cost recovery levels more efficiently.

B2: Restructure the six funds of the Department, working with the Finance Department, minimizing the number of funds and simplifying and providing clear expectations for financial performance of each necessary fund or subset within the General Fund. The six existing funds are:
- General Fund
- Special Funds
  - Recreation Activity Fund
  - Arts Activity Fund
  - Community Events Fund (consider rolling into the Recreation Activity Fund)
- Levy Funds
  - Park Maintenance and Operations Levy Fund (consider rolling into the General Fund)
  - Parks Levy Fund also referred to as the Recreation Levy Fund (consider rolling into the General Fund)

B3: Review all fees for annual adjustments at the staff level and provide an update to City Council through the annual budget process. All fees are subject to automatic CPI adjustments. Fees adjustments for services not effected by a restructuring that exceed 5% will be brought to the attention of City Council.

B4: Confirm the Recreation Activity Fund as a way to continue to expand program offerings and revenue without the constraints of the General Fund, while eliminating confusion. Move all appropriate programs into the RAF to maximize cost recovery potential (specifically considering the Community Events Fund), while ensuring that programs that do not fit the revenue generation potential remain in the General Fund. Re-measure the RAF at the close of FY 2017 business for cost recovery levels to determine the feasibility of fully allocating City-Wide indirect expenses and the feasibility of a self-sufficient fund.

B5: Focus the use of General Fund Subsidy on those activities, primarily found in Tier 1 of the Pyramid Model, that provide mostly community benefit to the taxpayers of the City. Work to maintain the current level of General Fund subsidy to match the current Tier 1 need.
B6: Incorporate use of the Program Planning and Pricing Worksheet into yearly budget development in an effort to bridge the gap between cost accounting and program planning. Manage program lifecycles through monitoring registration, attendance figures, and cost recovery goals on an ongoing basis. Cancel, retool, and/or replace under-performing services. Set fees using the provided Pricing Strategies and Program Pricing Worksheet, allowing staff to respond to market conditions, opportunities, and service demands in a timely manner. Adjust fees to reflect the Department’s cost recovery philosophy, being sensitive to fee tolerance, and implementing over time as necessary. Use metrics and analysis tools including cost recovery targets, registration minimums, and trends in registration and attendance figures to identify underperforming programs.

**Theme C: Revenue Generation**

Identification of new sources of revenues, including alternative funding ideas, and exploring their potential will contribute to the Department’s overall financial sustainability.

**C1a:** Explore alternative funding sources that strategically align with Department mission including potential partnerships with agencies such as the Boys and Girls Club, service/civic organizations, the Convention and Visitors Bureau, neighborhood associations and adult sports associations; advertising; philanthropic collaborations with foundations, legacy giving, maintenance endowments, and other giving; adopt-a-park or trail programs; lighting fees; security and clean-up deposits; and catering permits or services.

**C1b:** Expand alternative funding for strategic initiatives through grants and sponsorships for new and existing projects including arts, senior citizens, special events, teens, and therapeutic recreation.

**C1c:** Further the use of sponsorship, in accordance with approved Partnership and Sponsorship Guidelines. Annually update the Department’s valuation of park assets and continually update a list of potential park facility sites, programs, services, events, and other amenities to consider for sponsorship.

**Theme D: Cost Savings – Cost Avoidance Strategies**

Identifying practices and methods for service planning and provision will help to consistently ensure the most cost-effective use of resources.

**D1a:** Continue to review internal management practices to identify cost savings practices. 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. Review maintenance standards and practices such as reduced mowing schedules and/or area; and consider green measures such as light, water, and motion sensors; energy audits; and use of electric and hybrid vehicles. Consider benefits of flex-scheduling for employees.

**D1b:** Continue to maintain current capital and maintenance management plans, appropriately budgeting for ongoing operating expenses to avoid deferring expenses that will multiply in the long run.
Theme E: Tier Specific Programming Strategies for Cost Recovery

Developing targets and a timeframe for reaching cost recovery goals focuses the efforts of staff while providing a measurement of success. The following targets are based on a first pass at detailed cost accounting for each program and service. This might need refinement over the first year of implementation, so these should be considered preliminary targets to be re-evaluated prior to year two. These targets are set to be in addition to what is needed just to keep up with inflationary expenses. The intent is to reach the overall goal for each tier by the end of year eight.

**Tier 5: Mostly Individual Benefit**

**E1a:** Continue cost revenue accounting refinement to align revenues and expenditures for all categories in this tier. Tier target should be set to reach minimum of 100% of direct costs in the near term and 160% of direct costs by 2025.

**E1b:** Field/Facility Rentals – For Profit: Create cost and revenue accounting to separate this category of service from Field/Facility Rentals – General Public and set a target to allow the tier to meet its minimum target.

**E1c:** Merchandise for Resale, Organized Parties, and Private/Semi-Private Lessons should be repriced to reach 100% of direct costs in the near term and 150% of direct costs by 2025. Explore cost avoidance and revenue enhancement avenues.

**E1d:** Permitted Services – Create cost and revenue accounting to separate this category of service and set a target to allow the tier to meet its minimum target.

**E1e:** Professional Leased to Others Services – establish pricing structure for these services to reach 100% of direct costs in the near term and 150% of direct costs by 2025.

**Tier 4: Considerable Individual Benefit**

**E1f:** Continue cost revenue accounting refinement to align revenues and expenditures for all categories in this tier. Tier target should be set to reach minimum of 100% of direct costs in the near term and 130% of direct costs by 2025.

**E1g:** Advanced/Competitive Activities – Create cost and revenue accounting to separate this category of service and set a target to allow the tier to meet its minimum target.

**E1h:** Long-term Leases – Identify costs associated with this category of service. Consider market rates.

**E1i:** Trips – Perform an assessment on the feasibility of programs and services in the category. Assessment should take into consideration current expenses, revenues, participation rates, and the availability of alternative service providers. Reset costs and pricing to reach minimum of 70% of direct costs in the near term and 100% of direct costs by 2025.
Tier 3: Balanced Individual and Community Benefit

E1j: Continue cost revenue accounting refinement to align revenues and expenditures for all categories in this tier. Tier target should be set to reach minimum of 90% of direct costs in the near term and 110% of direct costs by 2025.

E1k: Field/Facility Rental- General Public and Non-Profit – Create cost and revenue accounting to separate these categories of service from Rentals – for profit (Tier 5) and set cost recovery target to allow the tier to meet its minimum target.

E1l: Specialized Events/Activities – Explore cost avoidance or revenue enhancement avenues for programs and services to increase cost recovery to reach 75% of direct costs in the near term and 110% of direct costs by 2025.

Tier 2: Considerable Community Benefit

E1m: Continue cost revenue accounting refinement to align revenues and expenditures for all categories in this tier. Tier target should be set to reach minimum of 70% of direct costs in the near term and 100% of direct costs by 2025.

E1n: Review all Categories in this tier to reach minimum of 70% of direct costs in the near term and 100% of direct costs by 2025.

E1o: Youth Sports League Partnerships – work with Youth League Providers to understand costs associated with providing facilities and increase revenue in this category to reach a minimum 70% of direct costs in the near term and 100% of direct costs by 2025.

Tier 1: Considerable Community Benefit

E1p: Monitored Park and Recreation Usage – As the Department moves to a new facility, admission fees for drop-in activities should be set commensurate with the quality of the offering, and marketing efforts should be put into place to maximize use.

E1q: Public Art – Pursue the potential for grants, sponsorships, gift giving, and fees when appropriate, to generate revenues to support the Department’s direct costs (beyond the General Fund subsidy) associated with the operations and maintenance of the Public Art Program made possible through the 1% for Art Program and the Visual Arts Acquisition Program.

E1r: Volunteer Program – Explore the potential for donations, establishing a foundation, and/or a friends group, to reduce costs and/or generate revenue to support this program.

Specific Issues

E2: Social Clubs/Support Groups and Social Services – Should this be seen as a desire of the City to subsidize these services, these categories of service would be better placed in Tier 1 with no expectation for cost recovery (assuming a continued partnership service delivery strategy).

E3: WAVE Aquatics – Set a reasonable goal for the City’s return on investment for the Aquatics activity within Tier 2, accurately representing expenses with the inclusion of the pool maintenance expense.
Theme F: Planning for the Future - Evaluation & Performance Measures

**F1a:** Establish program performance measures and base divisional work plans and individual goals on performance measures. Review the performance toward cost recovery goals on an annual basis.

**F1b:** 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.
- Benchmark performance by conducting assessments of effectiveness using:
  - Self-benchmarking
  - Surveys
  - Commission for Accreditation of Park and Recreation Agencies (CAPRA) accreditation standards
  - National Recreation and Park Association (NRPA) National Gold Medal Award winning cities or agencies in the similar population category

**F2a:** Continue to provide ongoing opportunities for community input through a variety of outreach efforts and keeping the input process current and reflective of changing demographics, interests, and economic conditions.

**F2b:** Continue collaborations and discussions with other agencies including state and regional agencies, neighboring municipalities, and non-profits, to collectively meet identified needs.

**F2c:** Include questions about value of services and fees in community-wide opinion and interest surveys conducted every five to seven years to determine community needs in light of changing demographics.
IX. Conclusion

Through these recommendations, the Redmond Parks and Recreation Department is taking on a very aggressive goal of meeting its cost recovery target for 2025 of 100% direct cost recovery for Tiers 2-5. This can be accomplished through a combination of cost saving measures, fee increases, and seeking of alternative forms of revenue. Annual adjustments will need to be sensitive to citizen tolerance as citizens consider their needs and how they will spend their discretionary dollars.

Having broken down the financial picture to the activity level will allow all Department staff responsible for budgeting for the services they deliver to be proactively engaged in reaching the desired result. The City will need to remain flexible in refining targets as systems for tracking expenditures will provide a more accurate picture as each year goes by, especially the shift from the first to the second year. The Pyramid model has allowed the aligning of service benefits with the form of revenue best suited to support the service whether taxes, fees, or other forms of revenue.

It has been our pleasure to assist the City and work with the Parks and Recreation and Finance Departments to evolve its sustainability efforts.
Appendix A: The Pyramid Methodology
THE PYRAMID METHODOLOGY: COST RECOVERY AND SUBSIDY ALLOCATION PHILOSOPHY

The creation of a cost recovery and subsidy 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.

Critical to this philosophical undertaking is the support and buy-in of elected officials and advisory boards, 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 and recreation services ultimately pay for services.

The development of a financial resource allocation philosophy can be separated into the following steps:

**Step 1 – Building on Your Organization’s Values, Vision, and Mission**
The premise of this process is to align agency services with organizational values, vision, and mission. It is important that organizational values are reflected in the vision and mission. Oftentimes, mission statements are a starting point and further work needs to occur to create a more detailed common understanding of the interpretation of the mission and a vision for the future. This is accomplished by engaging staff and community members in a discussion about a variety of Filters.

**Step 2 – Understanding the Pyramid Methodology, the Benefits Filter, and Secondary Filters**
Filters are a series of continuums covering different ways of viewing service provision. Filters influence the final positioning of services as they relate to each other and are summarized below. The Benefits Filter, however, forms the foundation of the Pyramid Model and is used in this discussion to illustrate a cost recovery philosophy and policies for parks and recreation organizations.

<table>
<thead>
<tr>
<th>Filter</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefit</td>
<td>Who receives the benefit of the service? (Skill development, education,</td>
</tr>
<tr>
<td></td>
<td>physical health, mental health, safety)</td>
</tr>
<tr>
<td>Access/Type of Service</td>
<td>Is the service available to everyone equally? Is participation or eligibility</td>
</tr>
<tr>
<td></td>
<td>restricted by diversity factors (i.e., age, ability, skill, financial)?</td>
</tr>
<tr>
<td>Organizational Responsibility</td>
<td>Is it the organization’s responsibility or obligation to provide the service based upon mission, legal mandate, or other obligation or requirement?</td>
</tr>
<tr>
<td>Historical Expectations</td>
<td>What have we always done that we cannot change?</td>
</tr>
<tr>
<td>Anticipated Impacts</td>
<td>What is the anticipated impact of the service on existing resources? On other users? On the environment? What is the anticipated impact of not providing the service?</td>
</tr>
<tr>
<td>Social Value</td>
<td>What is the perceived social value of the service by constituents, city staff and leadership, and policy makers? Is it a community builder?</td>
</tr>
</tbody>
</table>
THE BENEFITS FILTER

The principal foundation of the Pyramid is the Benefits Filter. Conceptually, the base level of the pyramid represents the mainstay of a public parks and recreation 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. This foundation and upward progression is intended to represent public parks and recreation’s core mission, while also reflecting the growth and maturity of an organization as it enhances its service offerings.

It is often easier to integrate the values of the organization with its mission if they can be visualized. An ideal philosophical model for this purpose is the pyramid. In addition to a physical structure, pyramid is defined by Webster’s Dictionary as “an immaterial structure built on a broad supporting base and narrowing gradually to an apex.” Parks and recreation programs are built with a broad supporting base of core services, enhanced with more specialized services as resources allow. Envision a pyramid sectioned horizontally into five levels.

MOSTLY COMMUNITY Benefit

The foundational level of the Pyramid is the largest, and includes those services including programs and facilities which 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 with 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 and recreation system, the ability for youngsters to visit facilities on an informal basis, low-income or scholarship programs, park and facility planning and design, park maintenance, or others.

NOTE: All examples above 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 and smaller level of the Pyramid represents services which 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 subsidy 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: the capacity for teens and adults to visit facilities on an informal basis, ranger led interpretive programs, beginning level instructional programs and classes, etc.
**BALANCED INDIVIDUAL/COMMUNITY Benefit**
The third and even smaller level of the Pyramid represents services that promote individual physical and mental well-being, and provide an intermediate level of skill development. This 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 that fall within lower Pyramid levels.

*Examples of these services could include: summer recreational day camp, summer sports leagues, year-round swim team, etc.*

**CONSIDERABLE INDIVIDUAL Benefit**
The fourth and still smaller Pyramid level represents specialized services generally for specific groups, and those which may have a competitive focus. Services in this level may be priced to recover full cost, including all direct and indirect expenses.

*Examples of these services could include: specialty classes, golf, and outdoor adventure programs.*

**MOSTLY INDIVIDUAL Benefit**
At the top of the Pyramid, the fifth and smallest level represents services which have profit center potential, may be in an enterprise fund, 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 be priced to recover full cost in addition to a designated profit percentage.

*Examples of these activities could include: elite diving teams, golf lessons, food concessions, company picnic rentals, and other facility rentals such as for weddings or other services.*

**Step 3 – Developing the Organization’s Categories of Service**
In order to avoid trying to determine cost recovery or subsidy allocation levels for each individual agency service including every program, facility, or property, it is advantageous to categorize agency services into like categories. This step also includes the development of category definitions that detail and define each category and service inventory “checks and balances” to ensure that all agency services belong within a developed category. *Examples of Categories of Service could include: Beginner Instructional Classes, Special Events, and Concessions/Vending.*

**Step 4 – Sorting the Categories of Service onto the Pyramid**
It is critical that this sorting step be done with staff, governing body, and citizen representatives involved. This is where ownership is created for the philosophy, while participants discover the current and possibly varied operating histories, cultures, and organizational values, vision, and mission. It is the time to develop consensus and get everyone on the same page – the page that is written together. Remember, this effort must reflect the community and must align with the thinking of policy makers.
Sample Policy Development Language:
XXX community brought together staff from across the department, agency leadership, and citizens to sort existing programs into each level of the Pyramid. The process was facilitated by an objective and impartial facilitator in order to hear all viewpoints. It generated discussion and debate as participants discovered what different people had to say about serving culturally and economically varied segments of the community, about historic versus active-use parks, about the importance of adult versus youth versus senior activities, and other philosophical and values-based discussions. This process gets at both the “what” and “why” with the intention of identifying common ground and consensus.

Step 5 – Defining Direct and Indirect Costs
The definition of direct and indirect costs can vary from agency to agency. What is important is that all costs associated with directly running a program or providing a service are identified and consistently applied across the system. Direct costs typically include all 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 overhead (fixed and variable) including the administrative costs of the agency. These costs would exist without any specific service but may also be attributed to a specific agency operation (in which case they are direct expenses of that operation). If desired, all or a portion of indirect costs can be allocated, in which case they become a direct cost allocation.

Step 6 – Determining (or Confirming) Current Subsidy/Cost Recovery Levels
This step establishes the expectation that 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. This will include consideration of revenues sources and services costs or expenses. Typically, staff may not be cost accounting consistently, and these inconsistencies will become apparent. Results of this step will identify whether staff members know 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.

Step 7 – Establishing Cost Recovery/Subsidy Goals
Subsidy and cost recovery are complementary. If a program is subsidized at 75%, it has a 25% cost recovery, and vice-versa. It is more powerful to work through this exercise thinking about where the tax subsidy is used rather than what is the cost recovery. When it is complete, you can reverse thinking to articulate the cost recovery philosophy, as necessary.

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

This step must reflect your community and must align with the thinking of policy makers regarding the broad picture financial goals and objectives.
Examples
Categories in the bottom level of the Pyramid may be completely or mostly subsidized, with the agency having established limited cost recovery to convey the value of the experience to the user. An established 90-100% subsidy articulates the significant community benefit resulting from these categories.

The top level of the Pyramid may range from 0% subsidy to 50% excess revenues above all costs, or more. Or, the agency may not have any Categories of Service in the top level.

Step 8 – Understanding and Preparing for Influential Factors and Considerations
Inherent to sorting programs onto the Pyramid model using the Benefits and other filters is the realization that other factors come into play. This can result in decisions to place services in other levels than might first be thought. These factors also follow a continuum; however, do not necessarily follow the five levels like the Benefits Filter. In other words, a specific continuum may fall completely within the first two levels of the Pyramid. These factors can aid in determining core versus ancillary services. These factors represent a layering effect and should be used to make adjustments to an initial placement on the Pyramid.

THE COMMITMENT FACTOR: What is the intensity of the program; what is the commitment of the participant?
- Drop-In Opportunities
- Instructional – Basic
- Instructional – Intermediate
- Competitive – Not Recreational
- Specialized

THE TRENDS FACTOR: Is the program or service tried and true, or is it a fad?
- Basic Traditionally Expected
- Staying Current With Trends
- Cool, Cutting Edge
- Far Out

THE POLITICAL FILTER: What is out of our control?
This filter does not operate on a continuum, but is a reality, and will dictate from time to time where certain programs fit in the pyramid

THE MARKETING FACTOR: What is the effect of the program in attracting customers?
- Loss Leader
- Popular – High Willingness to Pay

THE RELATIVE COST TO PROVIDE FACTOR: What is the cost per participant?
- Low Cost per Participant
- Medium Cost per Participant
- High Cost per Participant

THE ECONOMIC CONDITIONS FACTOR: What are the financial realities of the community?
- Low Ability to Pay
- Pay to Play

5
FINANCIAL GOALS FACTOR: Are we targeting a financial goal such as increasing sustainability, decreasing subsidy reliance?

100% Subsidized

Generates Excess Revenue over Direct Expenditures

**Step 9 – Implementation**

Across the country, ranges in overall cost recovery levels can vary from less than 10% to over 100%. The agency sets their goals based upon values, vision, mission, stakeholder input, funding, and/or other criteria. This process may have been completed to determine present cost recovery levels, or the agency may have needed to increase cost recovery levels in order to meet budget targets. Sometimes, simply implementing a policy to develop equity is enough without a concerted effort to increase revenues. Upon completion of steps 1-8, the agency is positioned to illustrate and articulate where it has been and where it is heading from a financial perspective.

**Step 10 – Evaluation**

The results of this process may be used to:

- Articulate and illustrate a comprehensive cost recovery and subsidy allocation philosophy
- Train staff at all levels as to why and how things are priced the way they are
- Shift subsidy to where it is most appropriately needed
- Benchmark future financial performance
- Enhance financial sustainability
- Recommend service reductions to meet budget subsidy targets, or show how revenues can be increased as an alternative
- Justifiably price new services

*This Cost Recovery/Subsidy Allocation Philosophy: The Pyramid Methodology Outline is provided by:* 

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The Leading Edge in Parks, Recreation
And Open Space Consulting

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Appendix B: Redmond Parks and Recreation Department Categories of Service

Purpose: Prior to sorting each program and service onto the Pyramid, the Project Team took on the daunting task of reviewing, analyzing, and sifting through more than 12,000 individual programs and services in an effort to create the Department’s Categories of Services, including definitions and examples. “Narrowing down” facilities, programs, and services and placing them in categories (groups of like or similar service) that best fit their descriptions allowed a reasonable number of items to be sorted onto the pyramid tiers using the Individual and Community Benefit filter.

Thirty-seven (37) categories were identified as listed below. The charge to both staff 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 mostly providing an Individual benefit. There was also discussion of consideration of additional filters, which often hold a secondary significance in determining placement on the Cost Recovery Pyramid.

<table>
<thead>
<tr>
<th>2017 Categories of Service</th>
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</thead>
<tbody>
<tr>
<td>Category Name</td>
</tr>
<tr>
<td>Tier 5: Mostly Individual Benefit</td>
</tr>
<tr>
<td>Concession and Vending</td>
</tr>
<tr>
<td>Merchandise for Resale</td>
</tr>
<tr>
<td>Private/Semi-Private Lessons</td>
</tr>
<tr>
<td>Equipment Rentals</td>
</tr>
<tr>
<td>Organized Parties</td>
</tr>
<tr>
<td>Permitted Services</td>
</tr>
<tr>
<td>Facility/Field Rental – For-Profit Organization</td>
</tr>
<tr>
<td>Professional or Leased-to-Others Services</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Tier 4: Considerable Individual Benefit</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Youth (ages 0-17)</strong> <strong>Advanced/Competitive Lesson, Class, Clinic, Program and Workshop</strong></td>
</tr>
</tbody>
</table>

**Adult Advanced/Competitive Lesson, Class, Clinic, Program and Workshop** 
Group recreational and/or instructional programs and activities for youth including educational classes and athletics operated, taught, or managed by the Department through contract or staff; with a focus on advanced and/or competitive activities; has a skill level pre-requisite for attendance (examples: dance- intermediate level, just horsin’ around- intermediate, tennis- advanced beginner/intermediate, high level tennis drills, refining swim stroke, etc.)

| **Attraction** | An admission entitling the user to access an attraction/park/facility/activity that is either registered or walk up and is actively managed, programmed, or attended by agency staff or volunteers (examples: train, balloon ride, carousel, historic sites, museum, trolley, etc.) |

| **Trips** | Day, overnight, and extended trips that provide opportunities for participants to visit selected destinations. (examples: RSC trips, teen trips etc.) |

| **Long-Term Leases** | Rentals for exclusive use of spaces and facilities for ongoing or multiple time-periods by a private individual, group, non-profit, or for-profit business (examples: Redmond Pool, agricultural leases, federally mandated communication leases and easements, surplus property leases, concessionaires at venues such as parks or golf courses, ice arena, cell towers, bill boards, lease of transitional properties (acquired but not yet developed for park use) (example: dog agility group lease, etc.) |

<p>| <strong>Special External Events</strong> | Any special event by external organization, event may require City staff support (Ananda Mela, Wine 10K, Watershed 5Ks) |</p>
<table>
<thead>
<tr>
<th>Tier 3: Balanced Community/Individual Benefit</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Adult Beginner/Intermediate/Multi-Level</strong></td>
<td>Group recreational and/or instructional programs and activities for adults including educational classes and athletics operated, taught, or managed by the Department through contract or staff; no pre-requisite for attendance (examples: ball room dance intro, tap dance beginner, acrylic painting, line dance, low-level tennis skills, learning swim basics, yoga, beginning pottery, etc.)</td>
</tr>
<tr>
<td><strong>Leagues - Youth</strong></td>
<td>Scheduled multi-game athletics for participants of multi-skill levels and various youth age groups that are organized and/or managed by agency, may or may not be officiated and/or judged, and may or may not be scored, providing a team experience for participants with the intent to play a game/match-format or to compete on a recreational level (examples: softball, soccer, coed volleyball, basketball, etc.)</td>
</tr>
<tr>
<td><strong>Leagues - Adult</strong></td>
<td>Scheduled multi-game athletics for adult participants of multi-skill levels that are organized and/or managed by agency, may or may not be officiated and/or judged, and may or may not be scored, providing a team experience for participants with the intent to play a game/match-format or to compete on a recreational level (examples: adult softball, adult soccer, adult coed volleyball, adult basketball, etc.)</td>
</tr>
<tr>
<td><strong>Tournaments</strong></td>
<td>Scheduled one-time multi-game sporting events for various age groups that are organized and/or managed by agency, may or may not be officiated and/or judged, and may or may not be scored, providing an individual or a team experience for participants with the intent to play a game/match-format or to compete (examples: NFL Punt/Pass/Kick, softball tournament, golf tournament, Senior Olympics, Special Olympics, tennis, Hersey’s Track and Field, etc.)</td>
</tr>
<tr>
<td><strong>Specialized Events/Activities</strong></td>
<td>Targeted annual, activities and events offered by the Department requiring registration that are typically offered on a one-time or limited basis (examples: Beat the Bunny 5K Run and Walk, Big Truck Day, scouting badge programs, dog swims, dances, luncheons, fishing derby, fun runs &amp; walks, etc.)</td>
</tr>
<tr>
<td><strong>Social Clubs or Support Groups</strong></td>
<td>A sanctioned support or social club for persons with common special interest; may or may not include self-initiated or scheduled activities (examples: RSC Interest Groups, gardening club, teen programming at teen center, games like bridge, poetry or book, club, etc.)</td>
</tr>
<tr>
<td><strong>Facility/Field Rental – General Public</strong></td>
<td>Rentals for exclusive of facilities on a one-time or one season basis by the general public (examples: room, gymnasium, city picnic shelters, Anderson Park cabins, Grass Lawn pavilion, Old Redmond Schoolhouse Community shelter, Senior Center, community gardens, sports fields, etc.)</td>
</tr>
<tr>
<td><strong>Facility/Field Rental – Non-Profit Organization</strong></td>
<td>Rentals for exclusive of facilities on a one-time or one season basis by non-profit organizations who are a registered 501(c)(3) agency (examples: room, gymnasium, city picnic shelters, Anderson Park cabins, Grass Lawn pavilion, Old Redmond Schoolhouse Community shelter, Senior Center, Jazzercise, community gardens, etc.; does not include youth sports association partnerships)</td>
</tr>
</tbody>
</table>
### Social Services

| Social Services | services offered by the Department (often through another complementary agency or organization) to provide a social, wellness, or safety benefit that do not fit into other traditional park and recreation instructional, special event and/or athletics offerings (examples: tax preparation services, meals on wheels, flu shots, toenail and foot care, literacy, blood pressure clinic, AARP driving course, Alzheimer’s support group, Medicare Made Easy, etc.) |

### Tier 2: Considerable Community Benefit

<p>| Youth (ages 0-17) Beginner/Intermediate /Multi-Level | Group recreational and/or instructional programs and activities for youth including educational classes and athletics operated, taught, or managed by the Department through contract or staff; no pre-requisite for attendance (examples: summer day camps, nature and farm, equestrian, STEM, sports camps, music, art, dance, gymnastics, martial arts, athletic skills, learn to swim, cooking, fitness and wellness, dog obedience, golf instruction, outdoor and nature education programs, interpretive programs) |
| Mixed age/Family-Multi-Level Lesson, Class, Clinic, Program and Workshop | Group recreational and/or instructional programs and activities for mixed ages or families including educational classes and athletics operated, taught, or managed by the Department through contract or staff; no pre-requisite for attendance (examples: ball room dance intro, tap dance beginner, acrylic painting, line dance, low-level tennis skills, learning swim basics, yoga, beginning pottery, etc.) |
| Camps/ Before and After School Care/Preschool | Non-licensed recreational and child care camps, school break programs, and after school programs with a social, child care and/or recreational focus which may include field trips, rather than specific instructional or skills programs (examples: holiday or school break camps, summer full-day camp, sports and themed camps, etc.) |
| Youth Sports League Partnerships | Use of fields for scheduled multi-game athletics for participants of multi-skill levels and various youth age groups that are organized and/or managed by a non-profit sports association with an official partnership status with the Department, may or may not be officiated and/or judged, and may or may not be scored, providing a team experience for participants with the intent to play a game/match-format or to compete on a recreational level (examples: softball, soccer, coed volleyball, basketball, etc.) |
| Work Study/Internship/Community Service Program/Work Release | Services that support educational or repayment requirements (example: AmeriCorps) |
| Therapeutic/Adaptive/ Special Recreation Services | Specialized leisure opportunities for people with disabilities designed and managed to be specific to the physical, cognitive, social, and affective needs of these populations. These are not unified programs, nor are they reasonable accommodations required as inclusionary services (examples: Camp Grandigo- Adaptive, adaptive sports, adaptive outings/events, adaptive social, adaptive trips and tours, etc.) |</p>
<table>
<thead>
<tr>
<th>Scholarship</th>
<th>Provides financial city-sponsored support for programs and services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community-wide Events</td>
<td>Community-wide events offered by the Department typically on an annual basis that do not require registration (example: Redmond Pet Fair, Derby Days, Rockin on the River, So Bazaar, movies, concerts, etc.)</td>
</tr>
</tbody>
</table>

**Tier 1: Mostly Community Benefit**

<table>
<thead>
<tr>
<th>Non-Monitored Park/Facility Usage</th>
<th>Park/facility/activity available for drop-in use that is non-registered and non-instructed, and is not monitored by Department staff/volunteer supervision. (examples: trail use, playgrounds, park, urban forestry on park sites, self-guided tours, portable art and public art gallery, dog parks, skate parks, disk golf, outdoor courts, etc.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintenance/Services of Non Park Facilities</td>
<td>Care and beautification for landscape (hard and soft) and trees (street trees) on City properties outside of the parks system delivered by Parks and Urban Forestry services, as well assistance with non-park services/events (examples: ROW/Fire Station, ribbon cuttings, etc.)</td>
</tr>
<tr>
<td>Monitored Park/Facility Usage</td>
<td>Park/facility/activity available for drop-in use that is non-registered and non-instructed, and is monitored by agency staff/volunteer supervision (examples: Idylwood Beach, Old Fire Hose Teen Center, guided tours, drop-in gym, open swim, etc.).</td>
</tr>
<tr>
<td>Public Art Program</td>
<td>Public art programs such as the permanent and temporary public art collection and maintenance thereof, hiring of artists to engage with the public (examples: artist-in-residence and poet laureate, and a public art grant program that supports local artists in engaging with the Redmond community)</td>
</tr>
<tr>
<td>Volunteer Program</td>
<td>Management of opportunities for individuals or groups to donate their time and effort to a structured or scheduled experience – opportunities may replace essential services or provide enhancements (examples: Green Redmond, adopt-a-natural area, adopt-a-field/park, adopt-a-garden, trail maintenance, program volunteer, clean-up days, campground host, master gardener, special events, interpreter, museum docent, etc.)</td>
</tr>
<tr>
<td>Inclusion Services</td>
<td>Provides for universal accommodation and programs to any agency activity, park and/or facility providing leisure opportunities to people with disabilities. Inclusion services are intended to comply with the Americans with Disabilities Act (ADA federal mandate)</td>
</tr>
</tbody>
</table>
Appendix C: Developing a Pricing Strategy

As the final step in the development of the Comprehensive Park User Fee Policy, 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 Department 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 and recreation agencies across the nation. The Department is forward thinking in its 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.
- 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 includes:
- 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).
Appendix D: Comparative Analysis Criteria

Limits of Comparative Data and Analysis

Comparative analysis (benchmarking) is an important tool that allows for comparison of certain attributes of the Department’s management practices and fee structure. This 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 the populations that it serves. The political, social, economic, and physical characteristics of each community make the policies and practices of each parks and recreation agency unique. It is important to keep in mind that while many park and recreation agencies primarily serve residents, others serve a large portion of non-residents, while others still 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 agencies 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 should be used as a catalyst for the Department 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 the Department. 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 agency
- 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 agency maintained trails
- Number of indoor and outdoor pools
- Number of lighted and unlighted softball/baseball fields
- Recreation and parks agency full-time employees
Often, comparative analysis data looks to weigh pertinent data along with comparing against a “per thousand” population calculation for categories including: total agency 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. Be sure to include comparative data for each fee as applicable:

- Program contact hours
- Program session length
- Student/teacher ratio
- Contractor or in-house instructional staff
- 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: Scholarship Policy and Administrative Guidelines
Scholarship Policy and Administrative Guidelines

Effective December 7, 2010

Scholarship Policy
In Section IV, Paragraph B of the Redmond Parks and Recreation Department Facility and Program Use Policy, the Scholarship Program policy is stated as follows: A portion of fees collected for Recreation Programs shall be used to provide scholarships or registration fee reductions for individuals in the case of financial hardship. Administrative policies shall be established by the Director of Parks and Recreation or his/her designee.

Administrative Policies
The Scholarship Program shall be administered as follows:

- Total annual scholarships awarded shall not exceed 1% of the overall annual RAF program fee revenue.
- Scholarships are available to City of Redmond residents only. Non-resident requests must be submitted in writing and will be considered by the Assistant Manager or Business Office Administrator on a case-by-case basis.
- Scholarships are charged to overall RAF program fee revenues not the individual programs. Scholarships shall not decrease the total program revenue for purposes of determining staffing/instruction costs.
- Any deviation from the published scholarship guidelines requires approval from the Assistant Manager or Business Office Administrator.

Administrative Management
The Business Office Administrator or his/her designee will assume responsibility for the management, distribution, and reporting of scholarships as follows:

- Household size and annual income shall be the criteria used to determine scholarship approval. The LWSD income chart for the free and reduced price meal program shall be used as the base for eligible income levels.
- Scholarship applications are valid from the beginning of Winter session registration (December) through Fall session registration (November). A new scholarship application must be completed each year.
- A copy of the household’s income tax statement is the documentation used to verify income. If this is not available the applicant must work with designated staff to determine other documentation that will be acceptable proof.
- Proof of income is required unless it is a one-time or unusual circumstance. In those cases, a letter of request is acceptable from the participant.
- Current scholarship percentages are stated on the application. Any higher percentage must be requested in writing and approved by the Assistant Manager or Business Office Administrator.
- Scholarships for Farrel-McWhirter Preschool and other designated monthly or weekly programs will be assessed on a different scale.
- Scholarship applications are processed by designated Recreation Division staff.
Processing Guidelines
Scholarship applications will be processed as follows:

- **Current Guidelines:** Scholarship applicants may receive up to a maximum of $300 per year, per person in scholarships. Maximums may be higher for preschool or designated programs. Maximum family/household allowance is $1500 per year. General program scholarships are awarded at levels of 50%, 65%, and 80% depending on income. FM Preschool scholarships (or other designated monthly or weekly programs) are awarded at levels of 10%, 15%, and 20% depending on income.

- **Session Limit Amounts:** The total scholarship funds available per year shall be distributed between the Winter, Spring/Summer, and Fall sessions, at approximately 25%, 50%, and 25% respectively. This is to ensure that funds are not exhausted prior to the Fall session and equal opportunities will be available throughout the year. The amounts awarded will be monitored by the designated employee and the Business Office Administrator to accomplish this goal.

- **Processing Requests:** Applications are accepted by front office staff at the community center, senior center, and teen center and then forwarded to the appropriate staff for review and processing. The co-payment will be due at the time of registration. Normal processing time shall be within two business days of receipt.

- **Preschool or other designated monthly or weekly program requests** will be reviewed and approved by the Assistant Manager or Business Office Administrator. The co-payment will be due at the time of registration. Normal processing time shall be within two business days of receipt.

- **Tracking & Review:** All scholarship applications must be turned in to the designated staff for tracking and filing. Information will be tracked in the CLASS database as well as a supplemental spreadsheet. Reports will be analyzed by the Business Office Administrator on a regular basis.

- **Designated Donations:** Any revenue designated specifically for the purpose of scholarships will also be tracked on the spreadsheet. This will allow efficient tracking of both revenue and expenditures related to the scholarship program.

- A copy of the current Scholarship Application is attached with further information and details.

**Exceptions:**

- **Processing Exceptions:** Requests that exceed the normal guidelines must be submitted in writing and will be reviewed (and approved if applicable) by either the Assistant Manager or Business Office Administrator. Registration should not be processed prior to review and approval. The co-payment will be due at the time of registration. Normal processing time shall be within two business days of receipt.

- **Co-Payment Exceptions:** A request to schedule a payment plan must be submitted in writing and will be reviewed (and approved if applicable) by the designated employee or the Business Office Administrator. If a payment plan is allowed the total amount owing must be paid in full prior to the first day of the program otherwise participation will not be allowed. The designated employee will monitor the CLASS account to ensure payment has been received or will follow up with the applicant as necessary.
Definitions:

**Household** – is defined as all person, including parents, children, grandparents, and all people related or unrelated who live in your home and share living expenses. Do not include foster children.

**Household Income** – is considered to be the income each household member received before taxes. This includes wages, social security, pension, unemployment, welfare, child support, alimony, and any other cash income.