



Cost Recovery Study and Plan



Cost Recovery Study and Plan Report

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Final Project Report

Prepared for:
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Department of Parks and Recreation
1299 Lafayette St.
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Jefferson City
Cost Recovery Study and Plan

Final Project Report

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1 Introduction

This section of the report provides a high-level background of the project, as well as key terms and their definitions.

1.1 Project Background

The City of Jefferson (City) retained Berry Dunn McNeil & Parker, LLC (BerryDunn) to conduct a Parks and Recreation Department (Department) Cost Recovery Analysis and Plan project. The focus of the project is reviewing all revenue generated from user fees and charges for activities, permits, and services the Department provides and the identified expenses associated with providing all Department programs and services and issuing permits. This review will allow the City to make informed policy decisions at the aggregate level, as well as on each service and permit, regarding fee levels and revenue generation.

Until now, the Department had never undertaken a formal cost-of-service analysis or fee study. To that end, the majority of fees have remained unchanged for several years. The City has become increasingly aware that the cost of providing fee-applicable services may be outpacing the revenue generated by providing those services in certain service categories. For these reasons, the City is interested in understanding the full cost of providing fee-related services and considering recommendations that might better align fee levels to reflect these costs.

This report provides the City with an overview of current Department fees and charges and associated revenues and expenses for each activity, permit, and service for which a fee is currently assessed. The report also documents the estimated percentage of full costs recovered delivering specific services at current fee levels, which will allow City officials to make informed policy decisions regarding future adjustments to fees and charges, if so desired. Finally, this report also describes BerryDunn's approach to the analysis and understanding of the Department's organizational structure and services provided, findings, and recommendations.

1.2 Acronyms and Terms

For purposes of clarity when discussing this project, BerryDunn will use the following acronyms and terms, with definitions provided below.

Table 1.2: Project Acronyms and Terms

Acronym/Term	Definition
BerryDunn	Berry Dunn McNeil & Parker, LLC
City	City of Jefferson
CPI	Consumer Price Index
Department	Parks and Recreation Department
FTE	Full-Time Equivalent
MS	Microsoft
OPEB	Other Post-Employment Benefits
FY	Fiscal Year
PMT	Project Management Team
PTO	Paid Time Off
SME	Subject Matter Expert
State	State of Missouri

2 Approach and Work Performed

This section of the report outlines how BerryDunn approached the project, summarizes the major tasks performed within each phase, provides an overview of how the cost model was developed, and provides a high-level synopsis of the project deliverables.

2.1 Work Performed

BerryDunn's approach to completing this study involved three phases: Phase 1 – Project Management and Initial Planning; Phase 2 – Full Cost Analysis and Modeling; and Phase 3 – Final Report and Policy Recommendations. Central to the approach was the use of BerryDunn's Microsoft (MS) Excel-based cost model, which the firm used to calculate the City's full cost of providing each service by category, and in some cases, by specific activity, service, or permit type. Furthermore, BerryDunn used the cost model to perform forecasting scenarios to assess the fiscal impact of implementing new fees, or changes to current fee levels.

After an initial project-planning call with the City to clarify goals and objectives, identify known project constraints, and refine dates and/or tasks as appropriate, BerryDunn requested and reviewed documentation and data to develop a better understanding of the current activity and services environment.

BerryDunn conducted a project kickoff meeting and scheduled a series of follow-up meetings with City subject matter experts (SMEs) involved in the cost-of-service analysis and fee study. BerryDunn also followed up with City staff on multiple occasions throughout the course of the project to confirm BerryDunn's understanding of the data and information provided. The aim of these meetings and conversations was to discuss the level of effort required to deliver select Department services to customers and to discuss the revenue generated and the associated expenses incurred to provide those services.

BerryDunn reviewed and analyzed the Department's current fees and charges environment and guided City staff through discussions to consider adjustments to fee schedules that might better reflect the cost of services the Department commonly provides and the way in which those services are delivered. BerryDunn's work included discussing services currently being provided for which there are no associated fees in the current fee schedules, and assistance with how to develop updated fees for select services, if desired. Furthermore, BerryDunn worked with City staff to identify specific revenue targets for which updated fee level scenarios were developed and their subsequent forecasted fiscal impacts. These scenarios were developed based on the significant impact they are forecasted to have on revenue generation. BerryDunn also reviewed all other fees for services the Department provides, and their applicable services categories, analyzing them on a time-per-staff activity basis by which costs were assigned accordingly. Other charges, such as penalties, fines, and State of Missouri (State)-mandated fees, were excluded from the analysis.

BerryDunn employed an activity-based costing methodology that analyzed the Department's major service categories (e.g., ice arena, golf, aquatics and recreation programs, etc.) and the staff time and resources required to provide each service within a specific service category. This

methodology relies on personnel assignments provided by City SMEs, which are then validated through checkpoints built into the cost model. Furthermore, BerryDunn employed a standard cost-accounting methodology to identify and assign expected costs to activities and services the Department provides. This methodology used identified expected expenses, mainly from the Department's adopted fiscal year (FY) 2021 operating budget segments, to determine full cost allocation. Finally, where detailed and/or accurate data was nonexistent, BerryDunn used institutional knowledge from City SMEs to develop assumptions, and also utilized proportional assignment of select expenses based on weighted averages and other standard analytical techniques.

Also included in the analysis are the identified and assigned revenues from FY 2021 associated with providing activities and services for which fees are currently assessed, which City SMEs verified.

BerryDunn prepared a cost model for the City's fees analyzed for this project, based on the City's FY 2021 adopted expenditure budget and FY 2021 reported actual revenue, key staff input and institutional knowledge, City financial document reviews, and the data discussed and reviewed during fact-finding sessions and project status meetings. BerryDunn reviewed the study findings with the City on multiple occasions, identifying any needed revisions and allowing the opportunity for the City to give feedback and request additions and deletions before approving final deliverables.

Finally, BerryDunn developed alternative service category groupings for consideration and prepared cost recovery and subsidy scenarios for each category. This will allow the City the option to develop new service groupings related to new pricing models if it chooses and to expand pricing strategies for current services and/or develop new approaches for existing services or new services in the future.

2.2 Taxes Versus Fees

The City collects taxes to satisfy its general revenue requirements. The level of service funded from tax levies is determined by the local jurisdiction and generally benefits all City residents, which is different from fees collected by providing specific services to nonresidents, services benefitting smaller groups, or services benefitting only individuals. Fees paid relieve residents of the burden of paying for discretionary services they do not use; therefore, fee levels should reflect the reasonable, identified costs of the work City staff perform to deliver those services. To that end, in this cost-of-service study, BerryDunn analyzed financial data at the City level, the Department level and, where it was available, the individual activity, permit, or service level to determine as accurately as possible the level of tax and/or additional funding support each Department service category requires.

2.3 Position-Specific Hourly Rate Calculations

The cost model captures the personnel costs associated with providing services for which fees and charges are assessed. The model also provides an hourly rate table calculated for specific Department staff positions. The rate categories capture all applicable cost components

associated with the specific category. The loaded hourly rate estimates all full cost personnel components, which typically include direct salary expenses, benefits expenses, and other post-employment benefits (OPEB) costs (when identified), per position. The calculated loaded rate also includes applicable and allowable portions of other operating and capital costs, considered indirect costs for supporting Department service provision. Section 2.4 explains the indirect portion in greater detail.

2.4 Indirect Costs

In addition to direct personnel-related costs, City departments providing outward-facing, fee-applicable services to external customers often receive internal support from other City departments, such as the City Clerk, City Manager, Finance, Information Technology, Human Resources, Legal, and Facilities Maintenance. Applicable portions of the cost of this support are considered an indirect cost to the individual receiving a fee-applicable service.

BerryDunn estimated citywide indirect costs and Department-specific indirect costs by developing an indirect cost rate proposal for the Department and calculating an indirect cost rate. The indirect cost rate is calculated using applicable indirect allocations, personnel costs, services and supplies expenditure data, cost principles, and City SME knowledge and assumptions. The calculated indirect cost rate allows the Department another option, in addition to methods already explained, to assess and analyze the impact of indirect costs on the Department's annual operating budget, if so desired.

The approach to develop the indirect cost rate was as follows:

- BerryDunn identified all applicable City staff providing services for or to the Department and calculated the direct salary and direct benefit hourly rates per specific position.
- BerryDunn met with City SMEs and estimated the amount of direct and indirect staff time spent annually supporting fee-related services.
- BerryDunn calculated the indirect hourly rate per specific position using the data analyzed above.

This approach allows the Department to generate forecasting scenarios using the cost model based on any or all of the developed rates: salary rate only, salary and benefit rate, or salary and benefit and indirect rates (the loaded rate).

3 Fee Study Findings and Recommendations

This section of the report provides a general overview of the Department’s organizational structure, the major technical findings BerryDunn identified, and BerryDunn’s recommendations based on those findings.

3.1 Departmental Overview

The Department of Parks, Recreation, and Forestry is governed by the Jefferson City Parks and Recreation Commission. The Department is responsible for providing a wide range of park and recreation activities, programs, and services to residents and visitors. The Department strives to enhance the City’s natural beauty; establish, maintain, and protect parks and natural spaces where residents and visitors can pursue leisure activities; and coordinate recreational, educational, and athletic activities that promote positive community values. Table 3.1 summarizes BerryDunn’s understanding of departmental structure and operations as they are currently organized.

Table 3.1: Departmental Overview

Function	Function Description
Department of Parks, Recreation, and Forestry	The Department is divided into three divisions: Park Resources and Forestry Division, Recreation Facilities and Special Services Division, and General Recreation and Support Services Division. The Department has broad responsibilities, including stewardship efforts, planning support, quality service development and delivery, and maintaining a healthy and effective workforce. The Department does so through sound executive direction and leadership with a strong dedication to providing quality parks and recreational services and facilities for City residents. The Department strives to be responsive to the community and provide outstanding customer service. A team of over 50 full-time staff and many part-time and seasonal staff work together to make that happen. The Department provides staff support and services to the Jefferson City Parks and Recreation Commission, various industry groups, City executive leadership, and the City Council.
Parks Resources and Forestry Division	The Division provides coordination of a program for regular scheduled inspections and maintenance of park facilities and playground equipment, scheduled grounds keeping, mowing activities, and plantings to help assure the safety and enjoyment of residents and visitors using any City parks. Furthermore, the division is responsible for maintaining all trees on public property through programs of systematic pruning, removal, planting, tree preservation, disease control and care for sick and damaged trees.
Recreation Facilities and Special Services Division	The Division provides recreational and cultural opportunities and events for individuals of all ages, abilities, and interests.

Function	Function Description
General Recreation and Support Services Division	The Division provides a wide variety of recreational opportunities for City residents, visitors, and individuals from surrounding cities. The Division also provides coordination for intradepartmental services, management of service contracts, and accountability for funds collected and expended to help assure quality services within the City structure and to the residents.
Technology	The Department uses RecTrac for online activity registration, waitlist management, additional attendance tracking, and a variety rentals and bookings for facilities, programs, and events. The Department also accepts in-person and phone registrations.
Funding Structures	The primary support for Department services comes from the revenue sources of sales and use taxes and charges for services. Combined, these major revenue sources comprise approximately 89% of all Parks Fund estimated revenues for FY22. The balance of revenues is derived from investment income and miscellaneous fees and charges related to maintenance contracts, cell tower site rental income, and use of fund balance.

3.2 Fund Balance/Reserves

Some parks and recreation operations choose to employ a fund structure and set fees at levels designed to generate a fund balance sufficient to help ensure business and service continuity if a downturn in the economy, or some other unforeseen event or circumstance, occurs. The use of the reserve balance funds for specific expenditures and the maximum allowable fund balance (fund balance ceiling) is generally determined by local policy, State legislative statute, or a combination of both.

Specific to this study the Department has set a fund balance ceiling of 10% of adopted annual expenditures year-over-year. This equates to an estimated \$1,000,000 to \$1,200,000 of fund balance available to satisfy policy requirements. At the start of FY 2021 the Department maintained a fund balance of \$8,427,303. For this reason, BerryDunn does not recommend any immediate fee adjustments based on Department fund balance, but does recommend that the City monitor the fund balance periodically to ensure compliance with Department policy and/or State Statute, if applicable, and that funds are being expended in a lawful, consistent manner. Furthermore, fund balances can fluctuate daily and actual balance amounts reflect the point in time when calculated. For this reason, BerryDunn also recommends monitoring the fund balance to identify any large fluctuations should they be evident, as dramatic changes may be indicative of longer-term trends pertaining to revenue or expenditure increases or decreases.

Given that the current fund balance is significantly greater than the policy-established ceiling, BerryDunn recommends developing a plan to utilize a portion of fund balance consistent with Department and citywide goals and initiatives. Additionally, BerryDunn also recommends that the calculation currently utilized to establish the fund balance ceiling be expanded to encompass multiple fiscal years. For example, the Department should consider setting the fund

balance ceiling in accordance with an average of the previous four fiscal years of actual expenditures. This will allow for the variations in expenditure levels to be accounted for over a number of fiscal years.

3.3 The Parks and Recreation Department

BerryDunn reviewed all Department fees and charges and determined the full cost to provide all activities, programs, and services to be \$8,759,842. The identified and assigned revenue is estimated to be \$3,531,554. BerryDunn calculated the percentage of costs recovered by way of current fees and charges, finding that the Department is recovering an estimated 40.3% of the costs of providing services.

While this overall cost recovery percentage might seem low when compared to peers across the country, it is not indicative of poor financial management.

A number of factors should be considered when assessing the current cost recovery percentage compared to current fee levels. The Department has made no major fee adjustments, or fee additions, related to core services over the last few years, which has led to stagnant revenue generation for some core services. Over the same time, the Department has experienced increased expenditures related to growth in customer demand for some services and permits, and increased operations and maintenance expenses related to fields and facilities care. Finally, because of the unique nature of services provided by the Department, revenues are cyclical, tend to fluctuate on an annual basis, and are dependent on macroeconomic activity, making forecasting increased revenue generation without fee increases or additions difficult.

For these reasons, the Department has now become increasingly aware that expenditures have begun to outpace revenues year-over-year in certain service categories. In order to help assure that Department services continue at current levels and that increased service levels can be achieved to accommodate increased customer demand, fees will need to be systematically increased to help offset increased expenditures. For these reasons, BerryDunn recommends the Department consider near-term addition of select fees and charges, which would result in additional revenue gains to help recover a portion of the costs incurred from Department operations and service delivery and to accommodate the Department's growth trajectory.

The Department should also consider developing a cost recovery percentage policy, specific to General Fund activities, permits, and services, which would guide staff in adjusting fee levels consistently in the future and in alignment with desired cost recovery levels. Department staff should also take care to monitor local indicators related to activity, program, and service demand and trends. Staff should track in detail the number of participants registered, permits issued, and rentals booked for the most common services provided and assess fee adjustments for those specific services on an FY basis to determine the level of impact any adjustments might have on revenue generation and to offset applicable costs.

The analysis shows that the Department generates very little General Fund revenue from current user fees and charges, and expenditures continue to outpace revenues year-over-year, with the most common financial indicators pointing to the continuation of this trend. Left

unchecked, these trends might have consequential effects on the Department’s ability to increase service levels and, ultimately, to continue delivering services at current levels.

3.4 Summary of Technical Findings

Table 3.4 provides a summary of the key technical findings of BerryDunn’s analysis of the Department’s fees and charges.

Table 3.4: Summary of Technical Findings

Summary of Findings	
Category	Findings
Current Overall Cost Recovery	BerryDunn identified and assigned \$3,531,554 of revenue and \$8,759,842 of estimated expense to the fee-applicable services analyzed for this study. The Department’s current cost recovery rate for all activities, programs, and services analyzed in this study is 40.3%.
General Fund Revenue	BerryDunn identified \$11,216,625 of revenue accounted for in the General Fund. The Department’s current cost recovery rate when including General Fund support is 168.4%, though this additional revenue is generally allocated to capital improvement projects and other strategic initiatives. When excluding General Fund support from the cost recovery calculation and examining only the fees and charges revenue environment, which provides the fiscal structure for all other fee-applicable services offered by the Department, the cost recovery rate drops significantly as described above.
Cost Recovery Increase	BerryDunn estimates that General Fund activities and programs might realize a 4% to 6% increase in the cost recovery rate for each additional \$450,000 of revenue generated.
Charging Methodology	The Department uses a mix of flat fees to calculate charges for services but does not use any overtly complex calculations to assess fees for services.
Calculated Hourly Rates	BerryDunn calculated salary rates, benefits rates, and overhead rates for each full-time position budgeted in FY 2021. The Department might choose to use loaded hourly rates for budgeted full-time positions to assess the full cost of providing fee-related services. The model allows any combination of the three calculated rates to be used for forecasting purposes.
Indirect Cost Rates	In conjunction with City SMEs, BerryDunn developed an indirect cost rate proposal for the Department to calculate loaded hourly rates for full-time staff and to account for indirect internal services other City departments provide that support fee-applicable service provision. The calculated indirect cost rate is 24.94%.

Summary of Findings	
Category	Findings
Updates to the Cost Model	The Department should maintain the cost model to assess the cost of providing services and, if necessary, update select fees annually. Absent a full cost analysis, fees should be indexed to the Consumer Price Index (CPI) for inflation annually, or some other consistent methodology developed by the Department. The Department should undertake a thorough fee review every two to three years, or when major personnel or budgetary adjustments are made or macroeconomic events occur.

3.5 Formal Fee Updates

BerryDunn recommends the Department undertake a basic cost-of-service update annually and conduct a formal fee study every three to five years; when the City experiences a significant change in demand for services, organizational structure, or key business processes; or when it identifies budgetary issues. In the meantime, the Department is encouraged to make adjustments and updates to the cost model on an annual or ongoing basis using detailed data and information as it becomes available, especially using detailed data collected via the Department’s electronic registration and permitting system, RecTrac.

Furthermore, the Department should develop and adopt a cost recovery policy. This policy should outline the cost recovery percentage the Department desires to recover through all fees and charges assessed, specific to General Fund activities, programs, and services, initially.

3.6 Cost Recovery Targets

As outlined in Sections 3.3 and 3.4 above, the Department’s FY 2021 cost recovery, the calculated percentage of aggregate costs in relation to the revenues generated, for providing all fee-applicable Department activities, programs, and services is 40.3%. For example, the offering of an activity or delivery of a service would achieve 100% cost recovery if the fees charged generated revenue sufficient to cover all associated costs related to the operation of and activity or program, or to deliver a specific service.

It is clear that increased demand for Department permits and services and the associated expenses incurred providing the increased levels of service have outpaced revenue generated by way of current fees and charges for certain service segments. It is also clear that setting fees at levels sufficient to generate revenue in order to recover a portion of the costs greater than 40.3% for providing activities, programs, and services will take some time and will most likely not be achieved with a single fee schedule adjustment. For this reason, BerryDunn recommends setting targeted ranges of cost recovery related to specific activity and service categories and adjusting fees within that service category accordingly.

3.7 Cost Recovery Policy Considerations

An agency built upon sound business principles requires the adoption of defensible financial management policy and continuously justifying how tax dollars are spent and invested. Adopting a methodology encourages productivity and the pursuit of opportunities for efficiency and revenue growth knowing that these efforts can help strengthen systems for the long term. By creating fiscal policy that aligns with fiscal reality, organizations enhance their chances of being financially resilient in the long term.

A cost recovery philosophy embodies a decision to generate revenues by charging fees for programs and services in relation to the total operational costs to provide them. In most cases, undertaking cost recovery as part of business practice does not imply that the goal is 100% recovery of the cost; however, a target cost recovery goal is established according to a variety of organizational and community values. Typical cost recovery goals may range from 0% to more than 100% of costs and are often associated with a community’s service delivery mission and values. Adoption of conventional industry benchmarks are often the choice of many organizations, but it is generally not the most effective way to establish cost recovery goals. Given that each community’s economic conditions and communal makeup are vastly different, benchmarking solely against other communities can create inaccurate comparisons.

The Department does not currently have a broad-based cost recovery plan that could be used as a guideline for setting fees and systematic resource allocation. Leadership expressed a desire to adopt a more comprehensive department-wide cost recovery philosophy, which can provide guidance to staff and management for prioritizing core program areas, setting fees and charges, identifying tax subsidy levels, and allocating resources effectively within the Department.

The Department currently groups programs and services related to the operational budget development framework. However, to better define cost recovery targets, BerryDunn recommends that the Department also create groupings of programs and services that are alike in some ways, in addition to continuing in the near-term to group activities, programs, and services based on budgetary requirements. This two-pronged method groups activities, programs, and services according to level or likeness of activity (e.g., introductory, intermediate, community events, merchandise for resale) and allows for differentiation of value to the individual and/or the community. BerryDunn, in partnership with Department staff, developed a sample of possible groupings of services and definitions, included for reference and/or consideration in Table 3.7 below.

Table 3.7: Activity, Program, and Service Groupings

Service Group	Description
Open Access	Open, unsupervised access to parks, open spaces, and public-access outdoor areas. No staff/volunteer supervision or oversight.
Community Events	Open access events with broad community appeal and larger attendance.

Service Group	Description
Special Events	Events that target specific groups and may or may not require a fee.
Permits and Rentals	Facility, field, and amenity rentals that provide private and exclusive use of space and/or property.
Skill Based – Introductory	Programs for participants who are being introduced to a new skill and do not require any experience to participate.
Skill Based – Intermediate	Programs for participants who have prior experience in a similar program and are looking to further improve their skill level.
Skill Based – Advanced	Programs for participants who wish to master a specific skill, are competitive in nature, or are private (one-on-one) or small group instruction.
Community Education/Life Skills	Staff-supervised or -instructed programs focusing on education, socialization, life skills development, and personal enrichment. These programs may or may not require preregistration or a fee.
Retail Merchandise	Service areas that provide individual benefit and are commercial in nature and similar to offerings made by the private sector.
Drop-In Access	Fee-based, self-directed activities that are not instructed by staff and do not require registration.
Permits with Contractual Agreements	Exclusive space or facility usage specified by contractual or otherwise formalized agreement.

In many agencies, activities are subsidized to greater and lesser levels based on priorities directly or indirectly identified by the codifying body. For example, activities for youth, teens, and seniors have been traditionally subsidized to a greater level than adult activities. Services targeted to low-income residents have traditionally been subsidized to a greater level than those targeted to middle- or higher-income residents.

Using newly developed groupings instead of traditional categories and using the cost-of-service model developed to estimate the full cost of providing specific programs and services will assist staff with setting fees to desired levels. This approach will also allow staff the opportunity to forecast the revenue potential at specific fee levels and assess the subsidy levels for each program and service to better reflect the mission of the agency and community values. A sample of possible subsidy levels for specific service and program groupings has been developed and included for reference and/or consideration in Appendix B.

Establishing a cost recovery policy and implementing the practice into routine fiscal exercises can provide the Department with a number of opportunities to improve service delivery and align fees with the mission and priorities of the community as a whole. Establishing a formal cost recovery policy for the Department might help:

- Enhance accuracy in identifying the cost of providing each Department service
- Identify and categorize both direct and indirect costs
- Define the amount of tax subsidy allocated to each service
- Establish a basis of fees and rationale for the pricing structure
- Demonstrate consistency, structure, and uniformity throughout the fee schedule
- Promote transparency for the public, stakeholders, and staff
- Justify future price increases

3.8 Cost Versus Price

Cost is generally defined as the aggregate of expenses incurred by the Department for issuing a permit or providing a service. BerryDunn estimated the full cost of providing all activities, issuing all permits, and providing all services analyzed in this study. After determining the cost of providing fee-applicable services, BerryDunn facilitated discussions with Department leadership to discuss possible approaches, should the Department desire to adjust current fee levels, to determine the price and set new fee levels based on recommendations.

Furthermore, the cost model allows Department staff to enter proposed fee recommendations on a per-fee basis and analyze the impact that the new fee level would have on annual expenditures and revenues. This provides City leadership with the insight it needs to understand the implications of potential fee adjustments on the Department's budget overall.

3.9 Pricing Strategies

The following are common pricing factors the Department could consider when developing fees and charges:

- Cost to offer the program (limited direct costs only)
- History of fees charged
- Perceived ability and willingness to pay
- Number of participants per class/activity
- Affordability for target audience
- Ability to attract participants

Establishing a price for a program can be done through a variety of strategies. Arbitrary pricing is not encouraged as it is difficult to justify and does not articulate use of tax subsidy in a way that ties to the Department's organizational or community mission. BerryDunn recommends that the Department follow a cost recovery pricing approach based on cost recovery goals within cost recovery goal percentage ranges. This method uses cost recovery goals as a primary pricing strategy, followed by either market pricing (for services with low alternative coverage,

i.e., few if any alternative providers) or competitive pricing (for services with high alternative coverage, i.e., other alternative providers offer similar or like services).

Other strategies to consider include:

- Market Pricing:** A fee based on demand for a service or facility, or what the Department estimates a participant is willing to pay for a service. Private sector businesses commonly use this strategy. One consideration for establishing a market rate fee is determined by identifying all similar providers (e.g., private sector providers, municipalities, nonprofit providers) and, if it is determined that the service has excellent position in the market, establishing a fee that is higher than other similar providers.
- Competitive Pricing:** A fee based on what similar service providers are charging. One consideration for establishing a competitive fee is determined by identifying all providers of an identical service (e.g., private sector providers, municipalities, nonprofit providers), and establishing a fee that is at midpoint or lower.
- Differential Pricing:** A fee that is grounded in the idea that different prices are charged for the same service when there is no real difference in the cost of providing the service. The same service might be offered at a more desirable time or location, or have other factors that attract a following, which may drive a higher price point. Alternatively, there might be services offered that are struggling to maintain a minimum and need a boost to stimulate more interest, driving a lower initial cost.

3.10 Summary of Recommendations

Table 3.10: Summary of Recommendations

Summary of Recommendations		
Category		Recommendation
1	Department	The Department should develop a cost recovery percentage policy, which would guide staff to setting fee levels in alignment with desired cost recovery levels. Once a formal policy is established and adopted, the Department should outline an approach to increase the desired cost recovery level year-over-year.
2	Department	Using guidance from the cost recovery policy, once established, and the cost-of-service study performed, staff should consider annual adjustments to fee levels that would have the greatest impact in increasing the Department's General Fund cost recovery percentage. Using the current 40.3% cost recovery level as a baseline, staff should consider adjusting fees to move the Department's General Fund cost recovery in the 50% to 55% range as soon as reasonably possible.

Summary of Recommendations		
Category		Recommendation
3	Department	The Department should use its electronic registration and permitting system, RecTrac, to the greatest extent possible to allow detailed tracking and analysis of revenues and annual participant volumes per activity, permit, or service type. Capturing this detail and incorporating it into the cost model will allow a more nuanced and accurate analysis of cost recovery levels per service type and will allow staff to assess the impact of specific fee adjustments on revenues and expenditures in greater detail.
4	Department	Many agencies use some form of nonresident surcharge pricing. Nonresident pricing is used to offset activity, program, and service tax dollar support to manage enrollments or demand, or to allow residential priority. The Department should consider developing a nonresident pricing policy to outline activities and services to which nonresident pricing applies and to establish a consistent methodology for calculating nonresident price levels.
5	Department	The Department should consider aligning pricing strategies to assist with the development of new fees for activities and services as well as to help guide methodologies for adjusting current fee levels according to desired outcomes.
6	Department	The Department should annually review all fee levels, once adopted, and adjust them in accordance with budgetary requirements, staff effort, and activity, permit, and service volume.

4 Cost Model Overview

This section of the report outlines the technical sections BerryDunn constructed to develop the cost model used for this study.

4.1 Department Fees and Charges Cost Model Framework

Table 4.1 summarizes the format, technical construct, and content of the cost model. This includes a summary description of each tab in the cost model.

Table 4.1: Cost Model Framework

Cost Model Framework		
	Model Section/Tab	Description
1	Cover tab	Contains the title of the study, Department project sponsor contact information, and BerryDunn contact information.
2	Forecast tab	Consists of data from all cost-of-service sections allowing staff to develop forecasts and scenarios based on current data, or updated data inputted.
3	P&R Summary tab	Contains a high-level overview of all service categories with a comparison of assigned revenue, as well as current percentage cost recovery, and projected revenue and cost recovery levels.
4	P&R Progs. Services tab	Contains a more detailed overview of service categories and the types of service contained within those categories and associated fees, as well as assigned revenue. Contains proposed fee levels and projected revenue and cost recovery levels.
5	P&R Expense tab	Contains personnel and non-personnel expense by service category as well as applicable assigned department-wide indirect expense.
6	P&R Worksheet tab	Contains all revenue and expense data, as well as cost recovery percentage by service category. Also contains functionality to develop forecast scenarios and adjust cost recovery goals by service category to project and assess fee levels.
7	P&R Employee (ee) tab	Contains the list of all full-time personnel assigned to the study, annual salary by position, annual benefit expense by position, and various hourly rates calculated by position.
8	P&R Personnel Services Analysis (psa) tab	Contains all FTE personnel assigned to the study, number of current funded positions, salary by position, and direct and indirect expense allocations by service category.

Cost Model Framework		
Model Section/Tab		Description
9	P&R Indirect Cost Rate Proposal (icrp) tabs	Is developed in conjunction with City SMEs, and contains assumptions pertaining to direct and indirect full-time staff involvement, and non-personnel-related expenditures associated with fee-related services. Generally used for forecasting and scenario development only.
10	Revenues	Reflects the actual reported revenue for FY 2021.
11	Expenses	Reflects the adopted budget and actual expenditures for FY 2021, including personnel, operating and applicable capital and indirect expenses.

4.2 Updates to the Cost Model

Some cities choose to update their fees annually. The cost model has the built-in capability for Department staff to change inputs in order to assess the impact of fee adjustments in the future, even after the study is complete, based on changes to revenues, expenditures, or other criteria.

Table 4.2 describes how the Department can maintain the cost model if it chooses to update fees and charges intermittently or annually.

Table 4.2: Cost Model – Inputs to Update

Category	Description
Revenues	Budgeted or actual revenues related to fees and charges for activities, permits, and services.
Direct Expenses	Budgeted or actual personnel and operating expenses related to directly providing Department services.
Indirect Expenses	Budgeted or actual personnel and operating expenses related to the internal support of providing Department services.
Specific Fee Levels	Specific dollar amounts to be charged for individual services provided.
Annual Service Volumes	Annual total counts for the number of permits issued, inspections conducted, or services provided per fee category.

Appendix A: Cost Model

The Cost of Service Model is attached as an MS Excel file.

Appendix B: Cost Recovery and Tax Support Guideline Graphic

The Cost Recovery and Tax Support Guideline Graphic is attached as a PDF file.

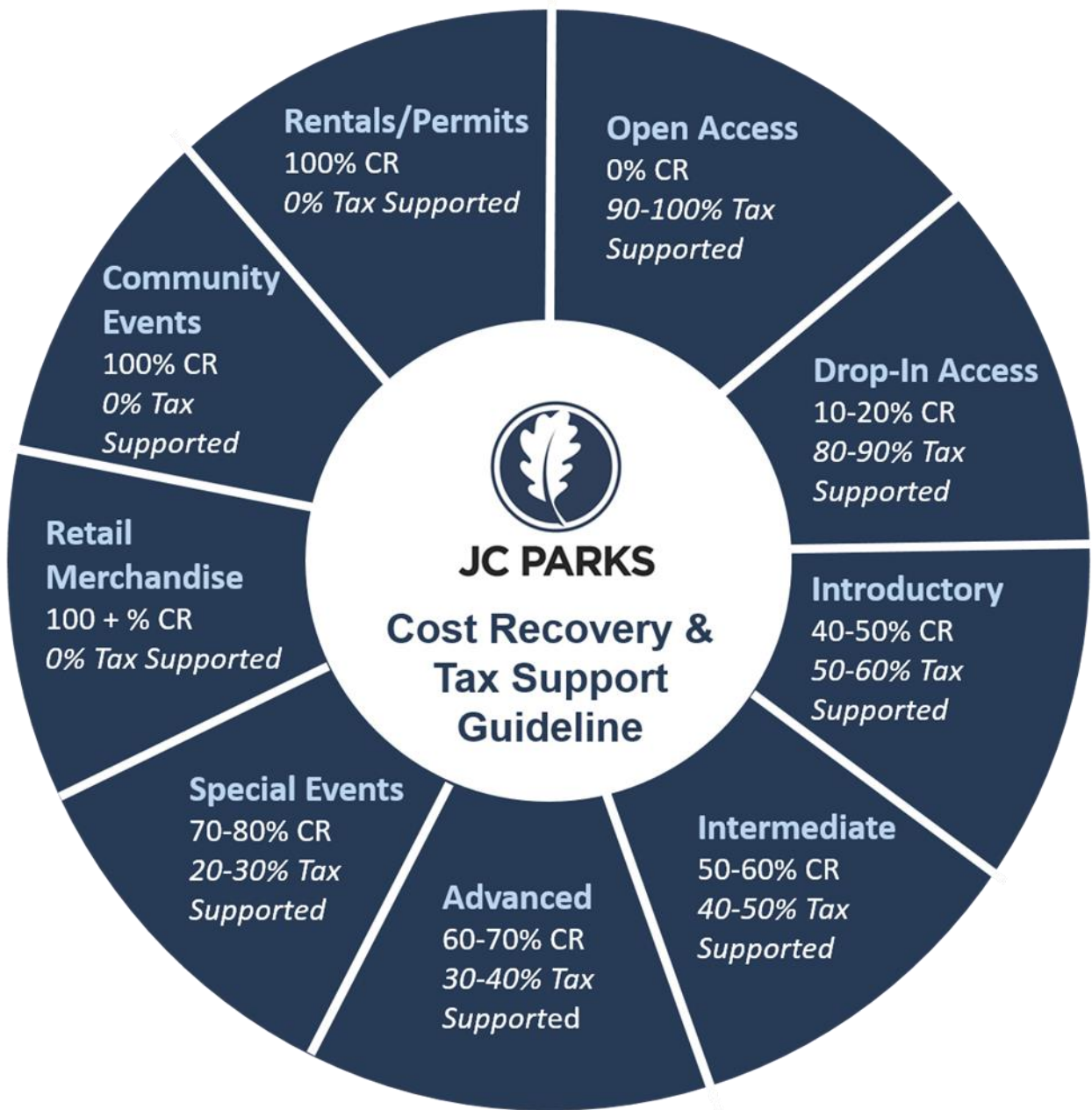
Appendix C: Cost Recovery Scenarios & Calculation Examples

The Cost Recovery Scenarios and Calculations is attached as a PDF file.

Appendix B



Cost Recovery Guideline **(Examples of Future Service Groupings)**



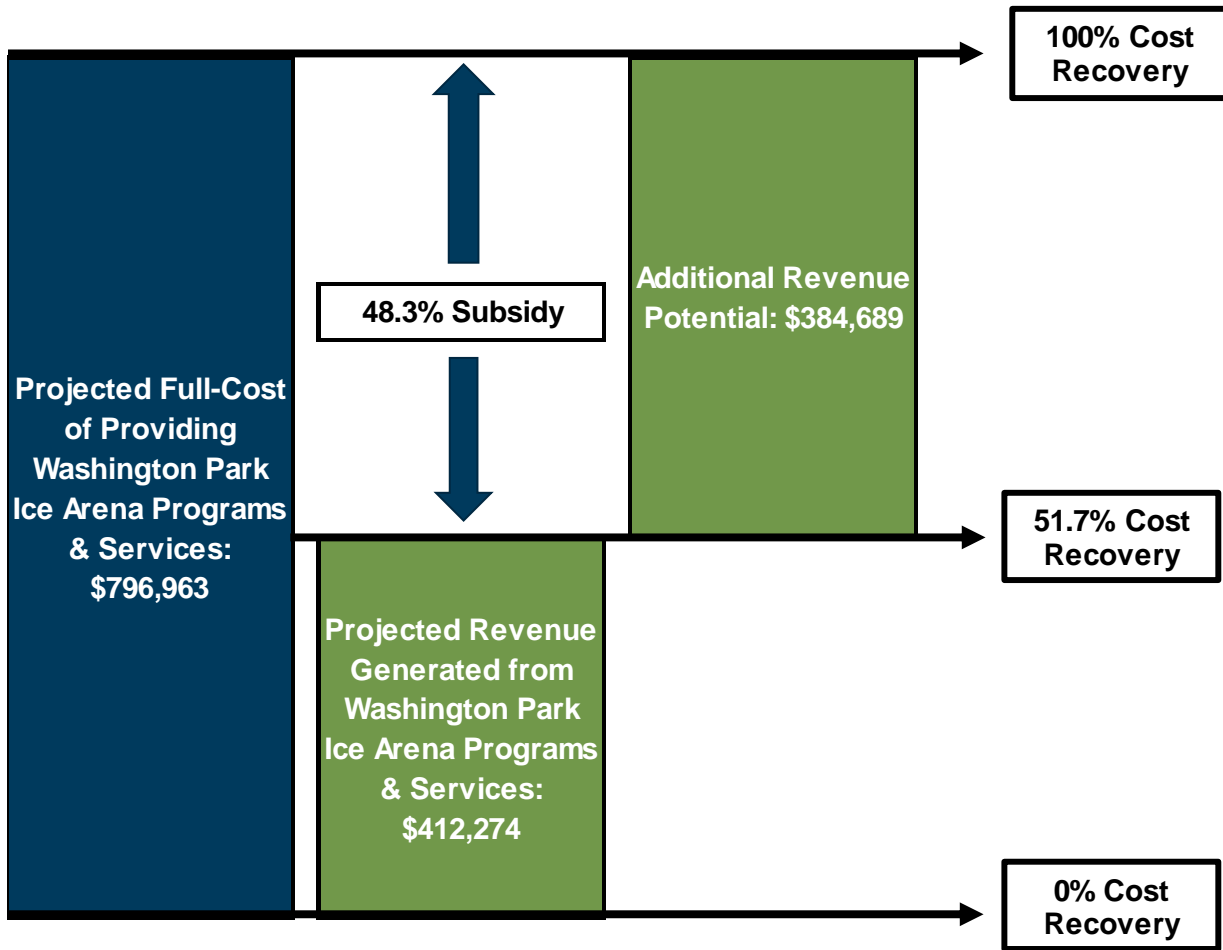
Appendix C



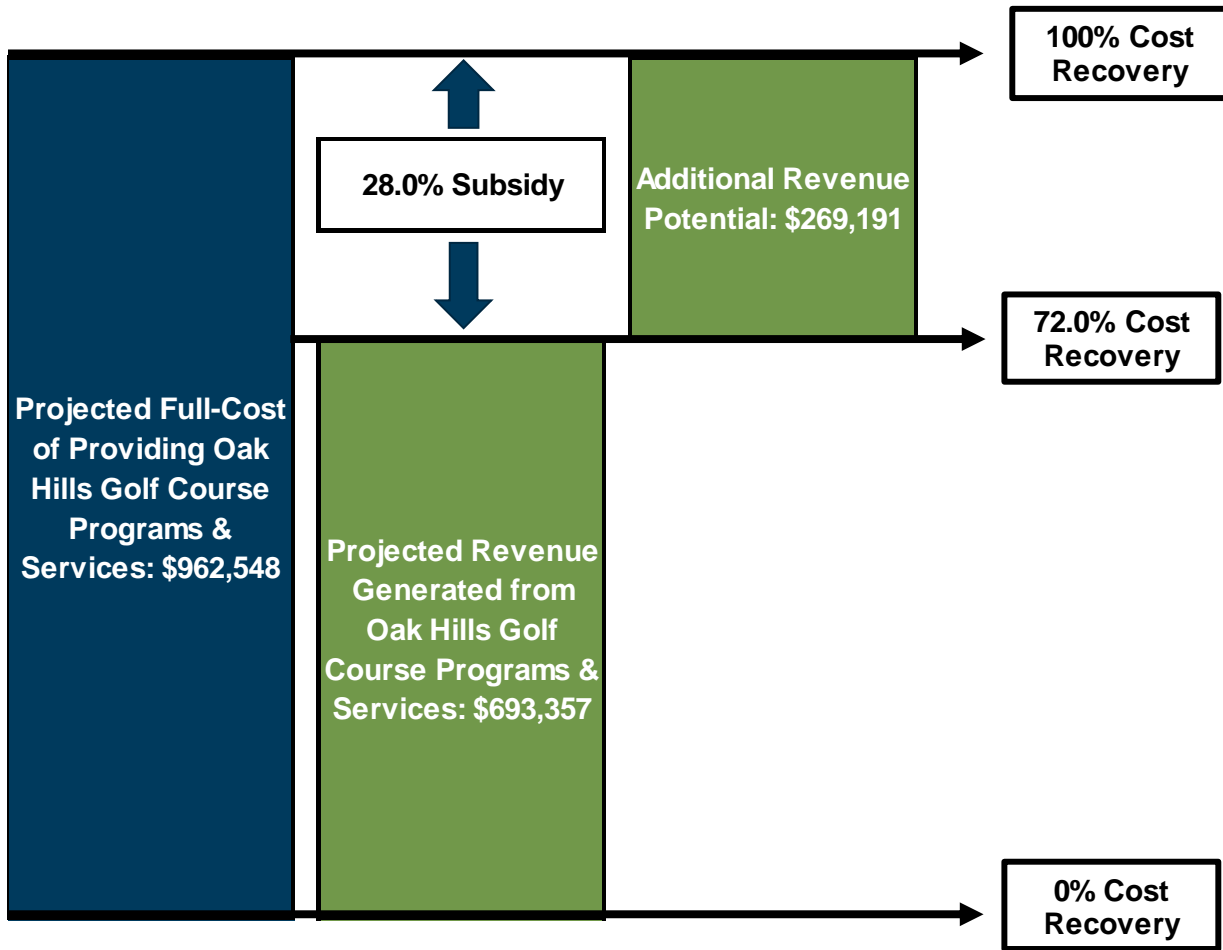
Cost Recovery Scenarios & Calculation Examples

(Direct Costs)

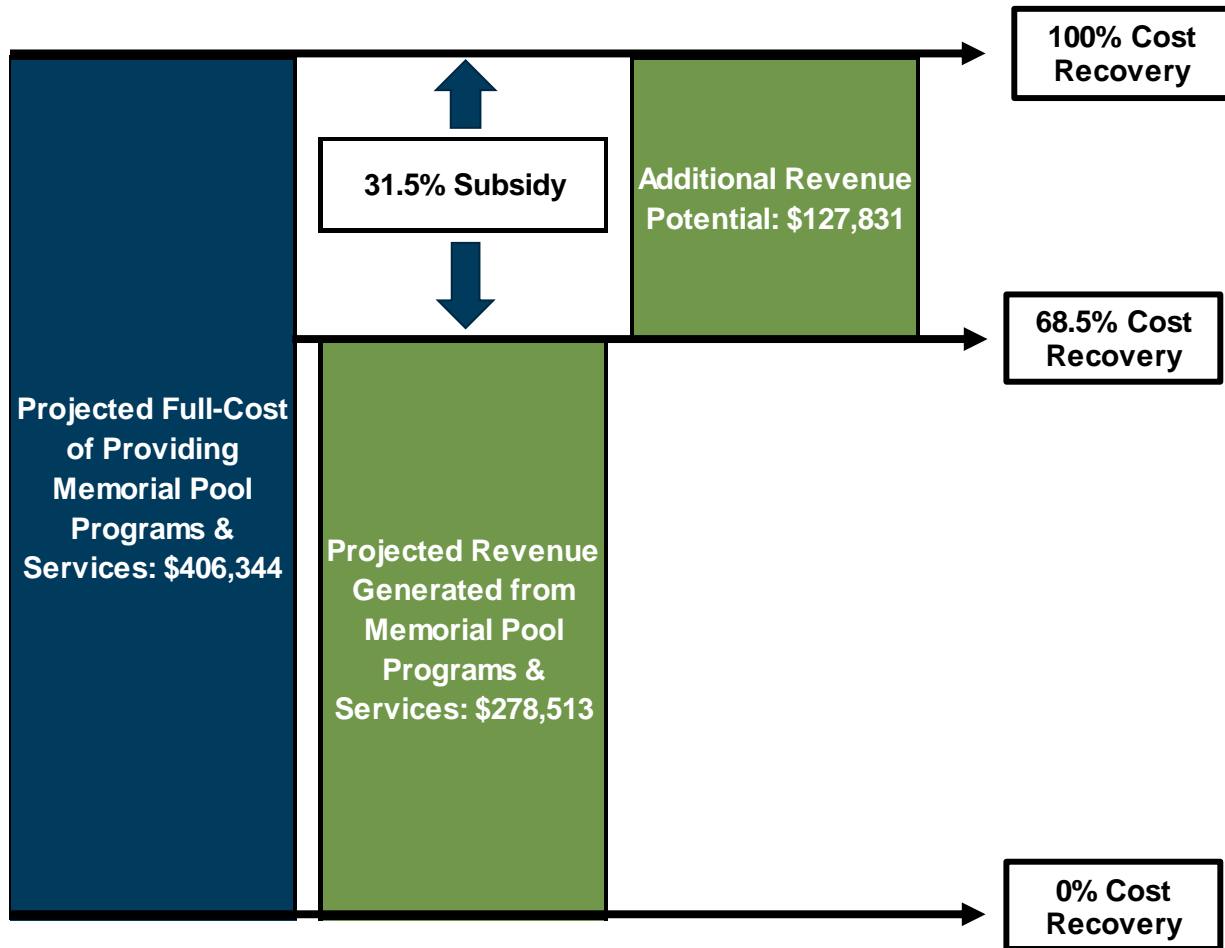
Washington Park Ice Arena



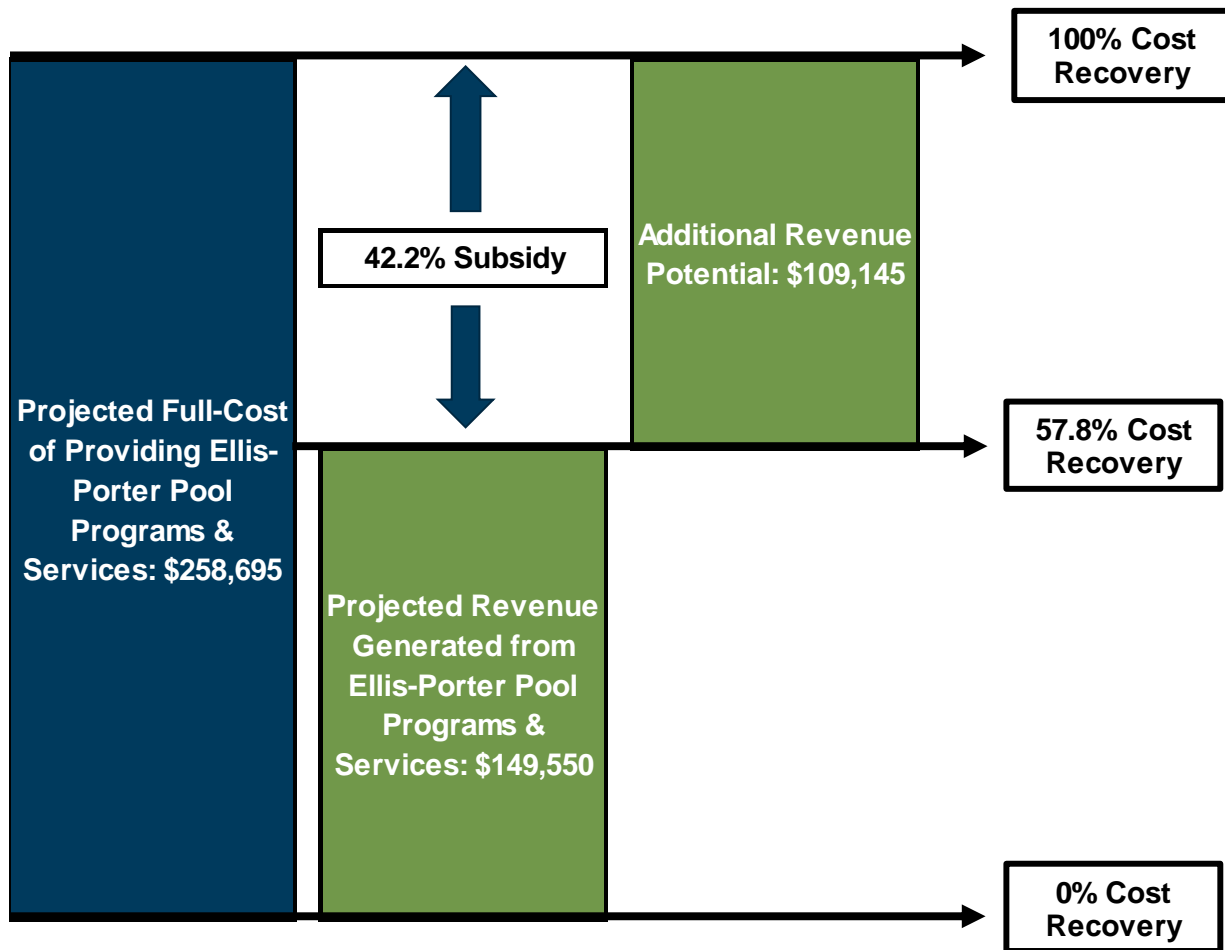
Oak Hills Golf Course



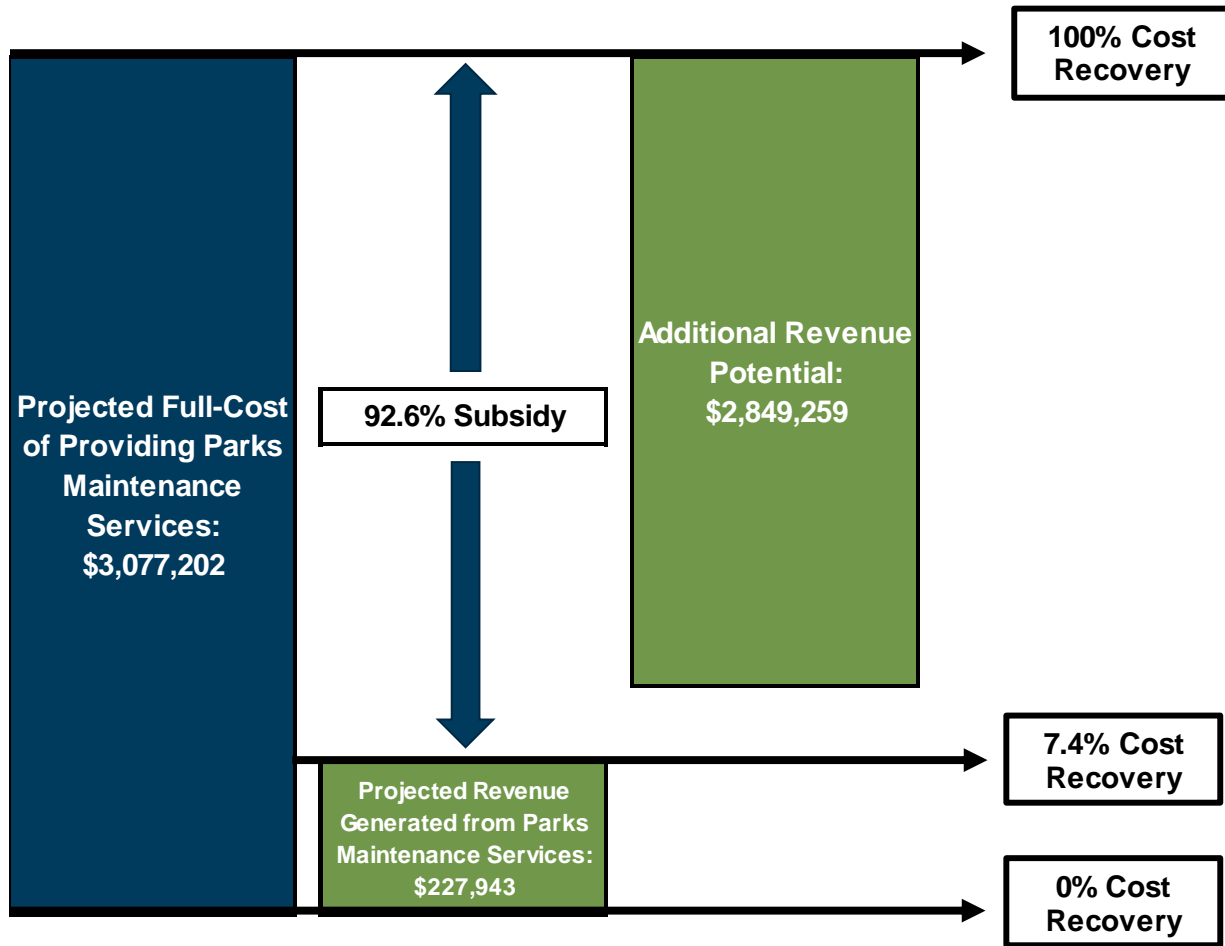
Memorial Pool



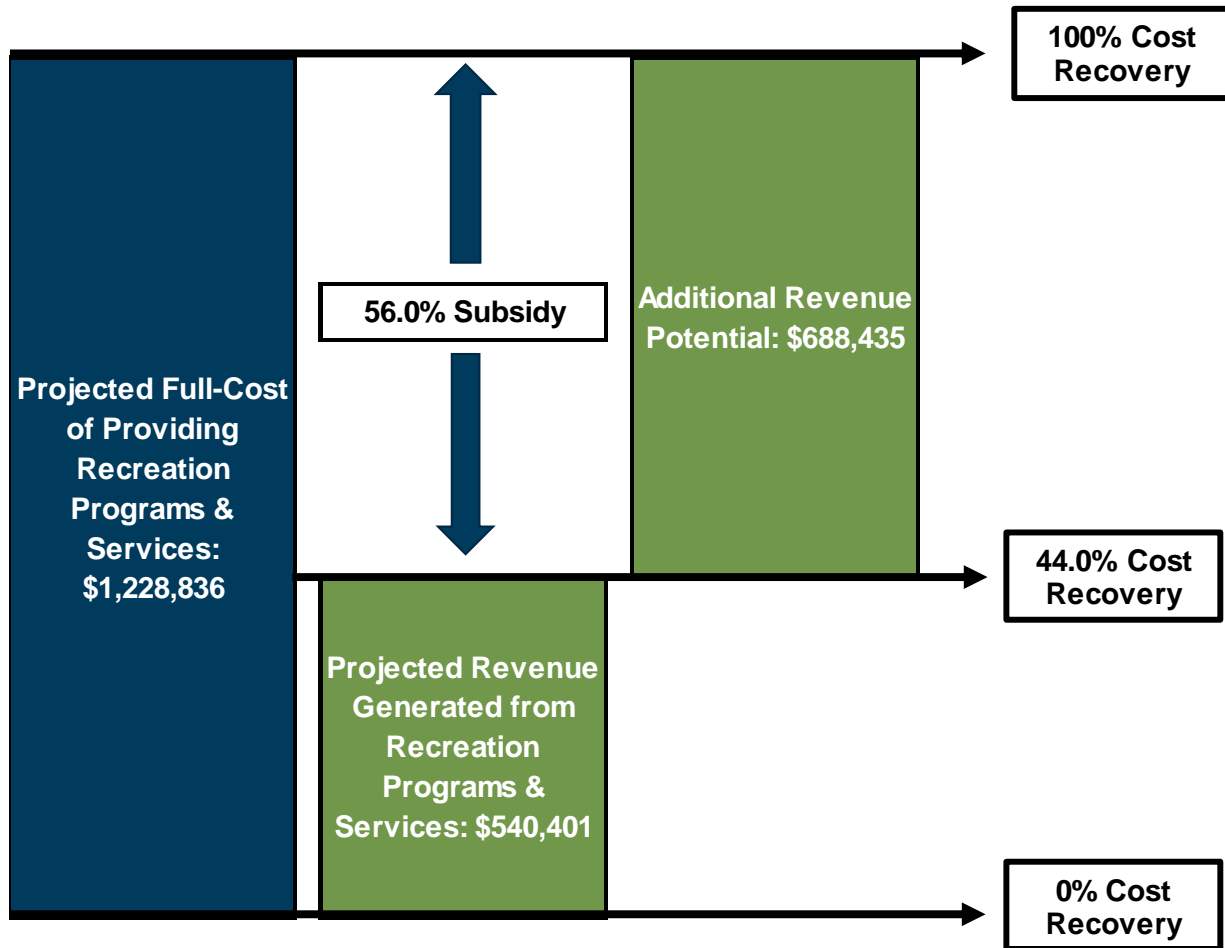
Ellis-Porter Pool



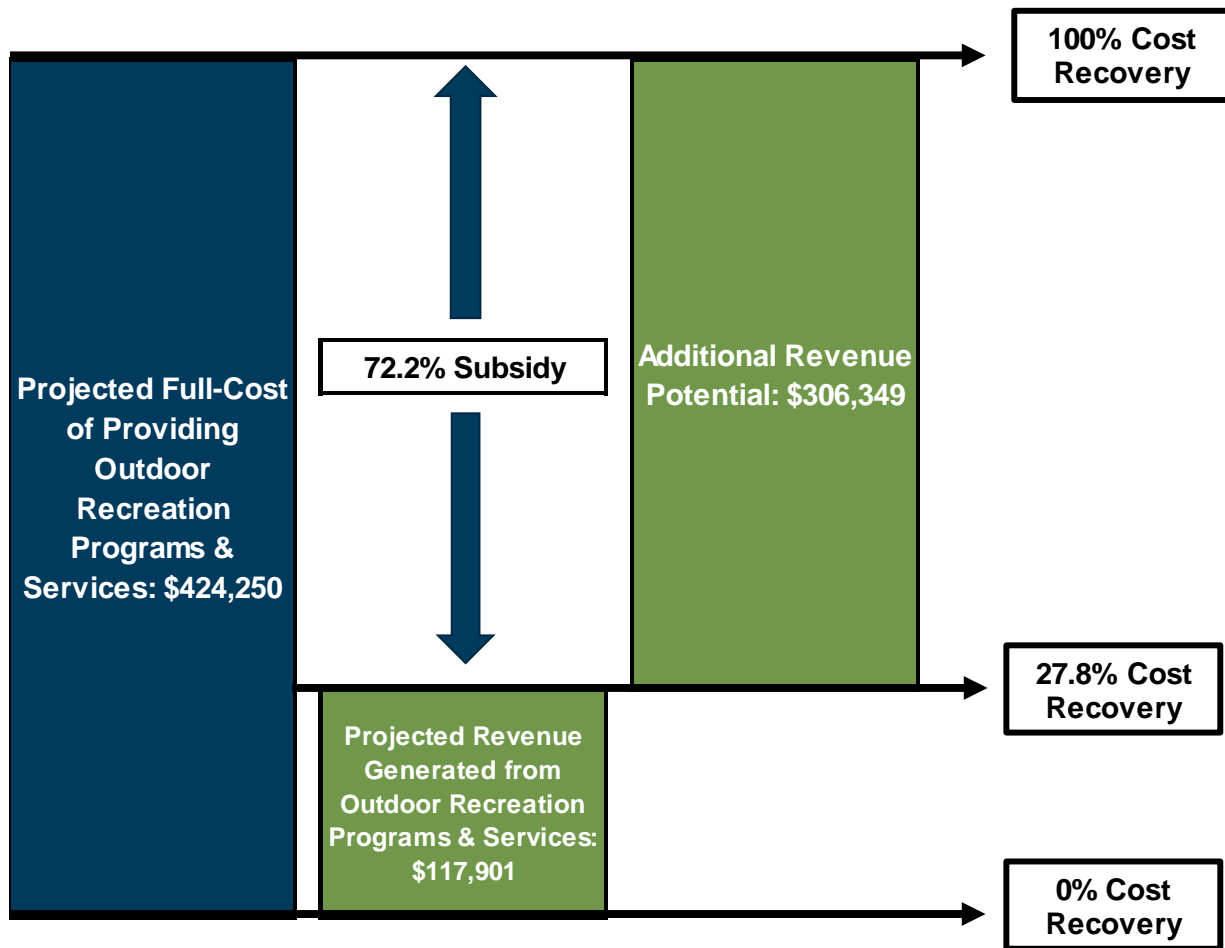
Parks Maintenance Services



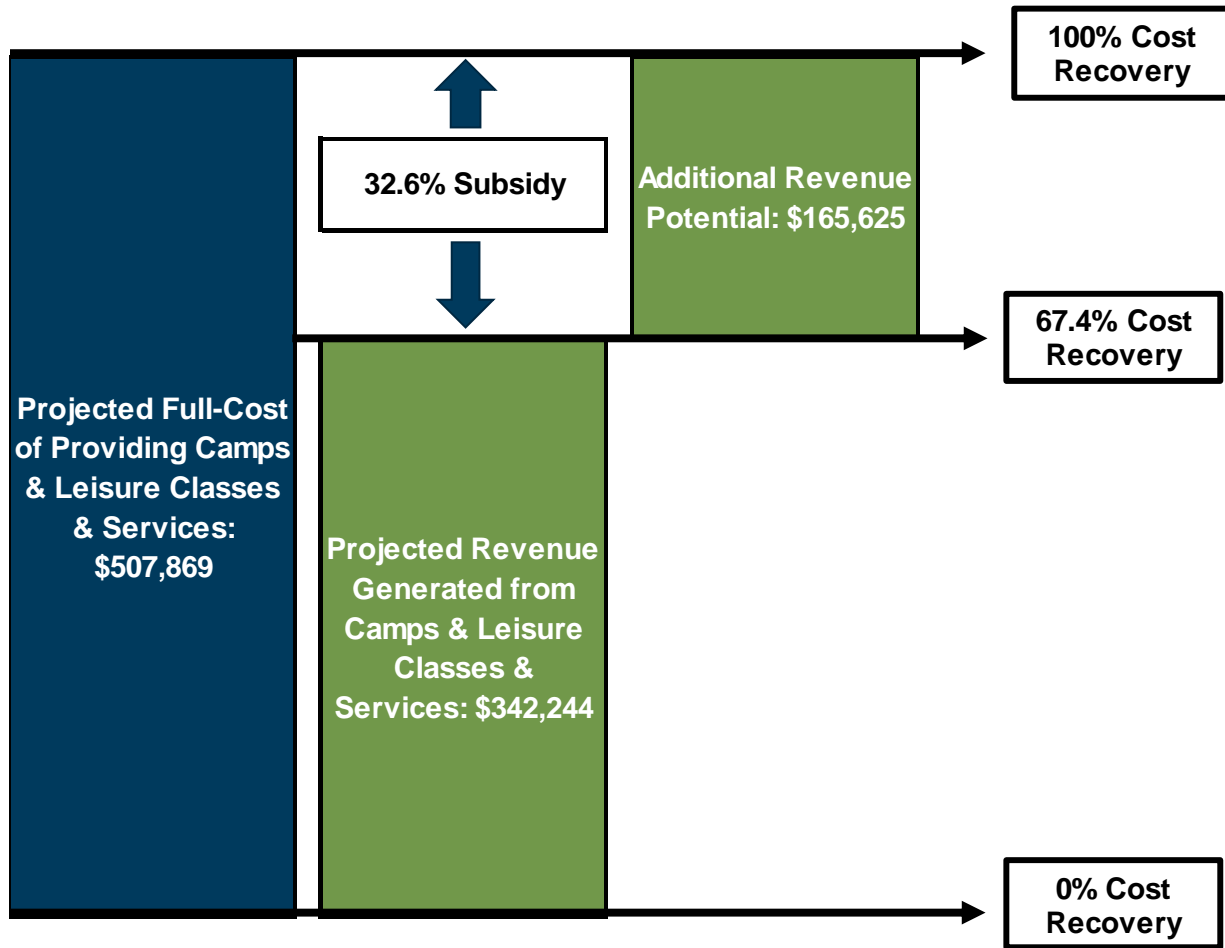
Recreation Programs



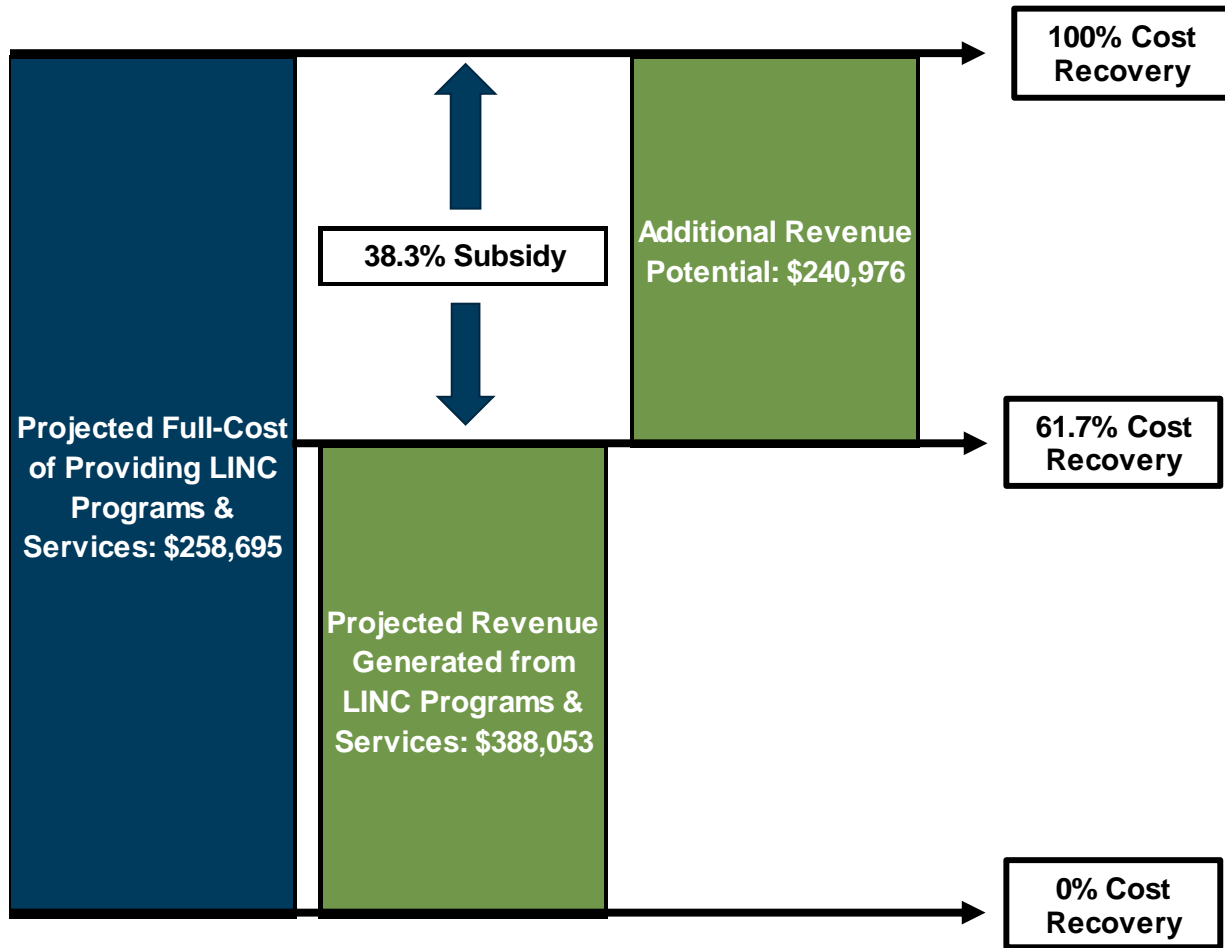
Outdoor Recreation Programs



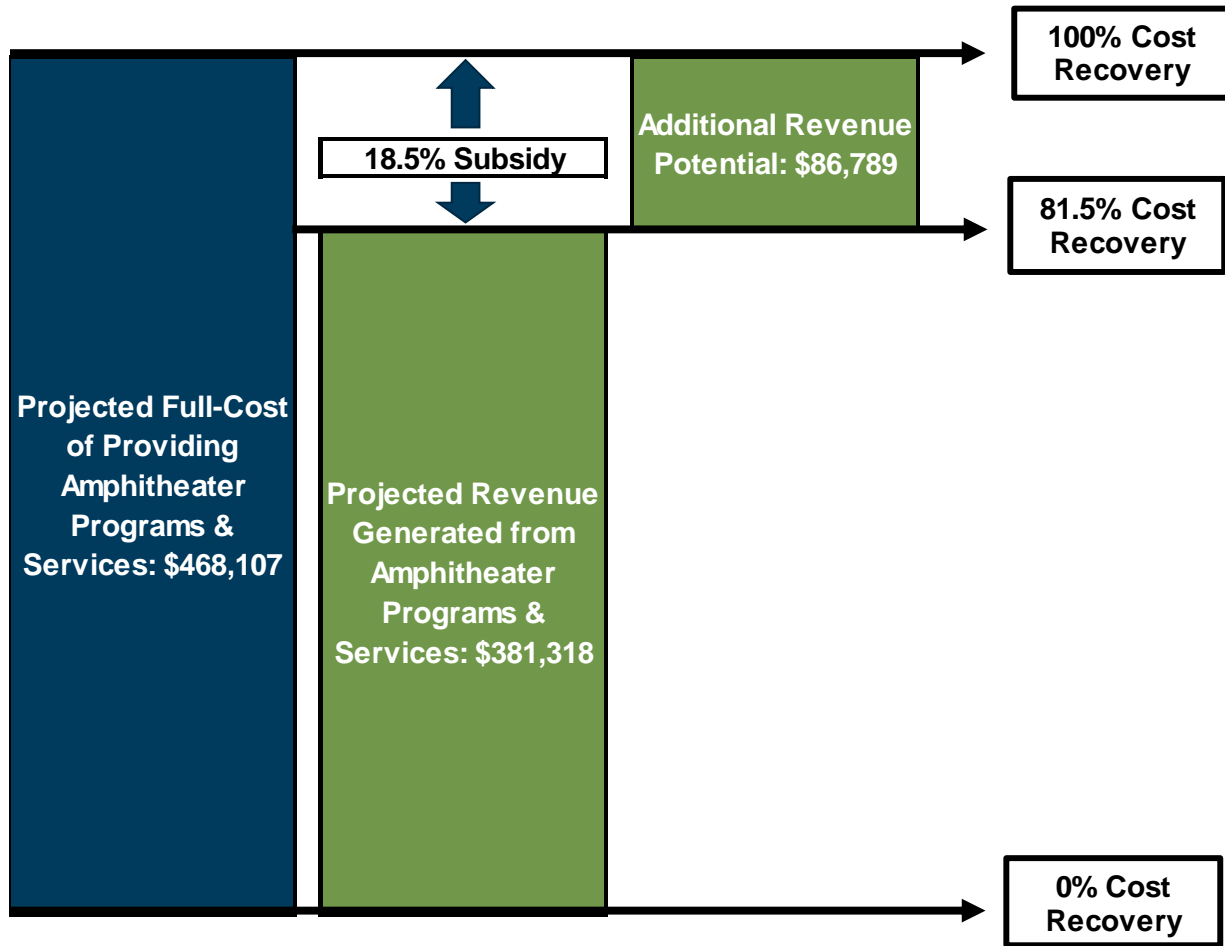
Camps and Leisure Classes



The LINC



The Amphitheater



Calculation Examples

(Direct Costs)

Recreation Programs:

Staffing Expense:

Estimated hours of Instructor and / or Staff time needed for each activity / class	X	Hourly rate per hour for Instructor or Staff	÷	Estimated number of Participants per activity / class	=	Estimated personnel cost per participant-hour of class
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Supplies & Materials:

Estimated Equipment and Materials cost for each activity / class	+	Estimated Facility cost for each activity / class	÷	Total Participant Hours for each activity / class	=	Estimated supply and facility cost per participant hour of class
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Total Cost per Hour for Activity / Class / Program:

Estimated personnel cost per participant-hour of class	+	Estimated cost per participant hour of class	=	Total estimated cost per hour for activity / class / program
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Total estimated cost per hour for activity / class / program	X	Total class or activity hours	=	Total class or activity cost
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Fee:

Total class or activity cost	÷	Estimated participants	=	Estimated Fee per participant
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Facility Rentals (Pavilions / Facilities / Rooms):

Staffing Expense:

Estimated Annual Staff cost per facility / rental unit	÷	Estimated Number of Rentals Annually	=	Estimated personnel cost per facility / rental
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Supplies & Materials:

Estimated Annual Equipment & Materials cost per facility / rental unit	÷	Estimated Number of Rentals Annually	=	Estimated equipment & materials cost per facility / rental
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Total Cost per Rental:

Estimated personnel cost per facility / rental	+	Estimated equipment & materials cost per facility / rental	=	Total estimated cost per rental
---	---	---	---	--

Fee:

Set fee according to total cost per rental.

Facility Rentals (Fields):

Staffing Expense:

Estimated Annual Staffing Cost for maintenance of field	÷	Total Open Hours annually	=	Estimated staff cost per hour
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Supplies / Materials / Utilities:

Estimated Equipment and Materials cost Annually	+	Estimated Electricity and Water cost Annually	+	Estimated Capital Replacement cost Annually	÷	Total Open Hours annually	=	Estimated operation cost per hour
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Total Cost per Hour:

Estimated staff cost per hour	+	Estimated operation cost per hour	=	Total estimated cost per hour for filed use
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Fee:

Set fee according to total cost per hour.