

**MOORPARK CITY COUNCIL
AGENDA REPORT**

TO: Honorable City Council

FROM: Hugh R. Riley, Assistant City Manager 

PREPARED BY: Stephanie Shaw, Recreation Superintendent

DATE: November 10, 2011 (CC Meeting of January 18, 2012)

SUBJECT: Consider Adopting the Recreation Programs and Services Cost Recovery Policy

BACKGROUND

The Recreation Division offers a wide variety of recreational programs to the community. Fees and other revenue sources are currently established by staff based on historical data and current market rates. At this time, there is no formal policy regarding how program fees and other revenue sources are established, or to what extent recreation programs will be subsidized by the General Fund. The Parks and Recreation Commission was presented with a proposal for a Recreation Programs and Services Cost Recovery Policy (Policy) at their November 7, 2011 meeting. The Commission has recommended adoption of the Policy by the Council.

DISCUSSION

The purpose of this Policy is to provide direction to staff in calculating and establishing fees and charges for recreation programs; to establish a process to recover the appropriate portion of cost based on the recovery goals of the program; to provide a framework to modify or eliminate programs that do not meet the minimum cost recovery goals; and to determine the extent to which the General Fund above the amount of fees collected will support recreation programs and services. Division staff will establish, and the Department Director will approve, appropriate strategies based on maintaining quality programs while meeting required cost recovery goals.

The Policy categorizes and defines program costs, revenue sources, program categories, and recovery levels. Program costs are categorized as direct costs, which

include all costs charged to the program budget and part-time staff costs; division indirect costs, which include division overhead costs, facility use costs, and full-time staff costs associated with the planning and administration of the program; and other indirect costs, which include department and City overhead costs. Revenue sources include user fees, sponsorships and donations, vendor fees, grants, and advertising and promotional fees.

Each program or service offered through the Arroyo Vista Recreation will be placed in a program category, according to the type, purpose, and structure of the program. Program categories include community event, special event, other event, day camp, recreation classes and specialty camps, adult sports program, youth sports program, tournaments and competitions, vital services, and special interest groups. Staff is evaluating whether a similar policy should be considered for Active Adult Center programs.

These program categories are then placed into a recovery level. The recovery levels establish the required minimum and target cost recovery goals for each program cost category. Programs must meet the minimum recovery goal in order to continue operating without modification. Staff will attempt to reach the target recovery goal for each program. There are five recovery levels, ranging from level 1 (high subsidy) to level 5 (minimal subsidy). The cost recovery matrix defines which program categories are included in each recovery level.

The policy also includes a right of exclusion for certain programs. The right of exclusion allows the City Council to exclude a program from the Policy, allowing that program to operate below recovery goals or without revenue sources.

STAFF RECOMMENDATION

Approve the Recreation Programs and Services Cost Recovery Policy and direct that the Policy be incorporated into the City Council Policies Resolution on the next amendment.

Attachment 1 – Draft Cost Recovery Policy

SECTION 6.

Policy 6.____: RECREATION PROGRAMS AND SERVICES COST RECOVERY POLICY

1. Purpose

The purpose and intent of the City Council in adopting the Recreation Programs and Services Cost Recovery Policy is to provide direction to staff in calculating and establishing fees and charges for recreation programs, to establish a process to recover the appropriate portion of cost based on the recovery goals of the program, to provide a framework to modify or eliminate programs that do not meet the minimum cost recovery goals, and to determine the extent to which the General Fund will fund above the amount collected in fees recreation programs and services.

2. Program Costs

Costs for each program shall be divided into three categories: 1. direct costs; 2. division indirect costs; and 3. other indirect costs. Each cost category shall have established minimum and target cost recovery percentages. Costs for programs shall be defined as follows:

“Direct Costs” shall mean all costs directly associated with a program and charged to the program’s budget, and all part-time staff costs associated with direct staffing of a program.

“Division Indirect Costs” shall mean all division costs associated with the program and charged to the division budget, facility costs, and staff costs associated with planning and administration of the program.

“Other Indirect Costs” shall mean department overhead costs for the department director and his/her administrative staff and city-wide overhead costs associated with the operation of the division.

3. Revenue Sources

A variety of revenue sources may be used to meet a program’s designated cost recovery goal. The City Manager or his/her designee shall determine the most appropriate revenue sources to assign to a program. Revenue sources include the following:

User Fees: Fees charged to the individual or team participating in a program, including admission fees and registration fees.

Sponsorships and Donations: Contributions in support of a specific program or service given to the City by private businesses or organizations.

Vendor Fees: Fees charged to vendors (such as food booths and arts and crafts booths) to participate in recreation programs.

Grants: Funding received by the City from a public, private, or non-profit grant or subvention program.

Advertising and Promotional Fees: Fees charged for advertisements placed in recreation publications, temporary program or facility naming rights, providing program or service equipment or supplies bearing the promoter's name or logo, and providing ancillary items or printed materials bearing the promoter's name or logo.

4. Program Categories

Each recreation program and service offered by the Recreation Division shall be placed in a Program Category. A program shall be placed in the category that best defines the type, purpose, and structure of the program. Program Categories shall be defined as follows:

A. "Community Event" shall mean a community-wide event that meets all of the following criteria: 1) benefits the community as a whole; 2) appeals to broad segments of the community; 3) is traditionally offered by a public agency; 4) does not require advance registration to attend. *Examples: Fireworks Extravaganza, Moorpark Arts Festival.*

B. "Special Event" shall mean an event that meets the following criteria: 1) benefits a large segment of the community; 2) appeals to a specific demographic or population; 3) is typically offered by a public agency. *Examples: Easter Egg Hunt, Trick or Treat Village, Teen events.*

C. "Other Event" shall mean all other events that do not fall into Community or Special event categories. *Example: Visits from Santa.*

D. "Day Camp" shall mean a general camp program for youth that does not focus on a specific activity type or topic. *Examples: Camp Moorpark, Adventure Camp.*

E. "Recreation Classes and Specialty Camps" shall mean any class, workshop, or specialty camp that focuses on a specific activity type or topic and is instructional or developmental in nature. *Examples: Beginning Ballet, Lego Engineering Camp, Tot Sports classes, Yoga.*

F. “Adult Sports Program” shall mean an intra-community sports program which is offered for individuals ages 18 and older, is recreational in nature, and is open to a variety of playing abilities. *Examples: Adult softball league, soccer league.*

G. “Youth Sports Program” shall mean an intra-community sports program which is offered for individuals ages 17 and younger, is recreational in nature, and is open to all playing abilities. *Example: Youth Basketball League.*

H. “Tournaments and Competitions” shall mean an activity that offers a higher level of competition than typical recreation level programs. Sports tournaments, extreme challenge events, and timed bicycle or running events are included under this definition. *Example: Softball tournament sponsored by the City.*

I. “Vital Services” shall be defined as services or activities that are essential to the health and well-being of the individual or community, are typically offered by a public agency, and are not generally available to the public through other sources. *Example: Women’s assault prevention clinic.*

J. “Special Interest Groups” shall be defined as social gatherings that do not have a paid instructor or supervisor at which the group will: 1. Discuss topics of interest; 2. Provide emotional or social support to group members; or 3. Work together on or participate in a common activity. *Example: Book club.*

5. Definition of Recovery Levels

Program Categories will be placed into recovery levels establishing the percentage of required minimum and target cost recovery the program. Levels are defined as follows:

Level One: Programs that are of a benefit to the whole community or are essential to the health and well-being of a target segment of the community, are typically provided by public agencies and not typically available through other providers, and require minimal commitment from participants (minimal time or financial investment is required, performance of program would not be altered by the absence of a single participant, and/or advance registration is not required.)

Level Two: Programs that provide a benefit to a targeted segment of the community, are often offered by public agencies, are limited in availability from other providers, and require minimal commitment from participants.

Level Three: Programs that provide both a community and individual benefit, are often offered by public agencies and may be available through other providers, and require some level of commitment from participants.

Level Four: Programs that have a greater individual than community benefit, may be offered by public agencies or private businesses or other providers, are

instructional or recreational in nature, and require a strong commitment from the participant (substantial time or financial investment is required, performance of program may be altered by the absence of a participant, and/or advance registration is required.)

Level Five: Programs that provide primarily an individual benefit and are specialized or competitive in nature.

6. Cost Recovery Matrix

In accordance with the Cost Recovery Levels, the following matrix has been developed. The minimum recovery indicates the percentage of costs that must be recovered in order to continue offering the program without modification. The target recovery indicates the percentage of costs that staff will attempt to recover through program fees and other revenue sources.

Programs and Levels	Direct Costs		Division Indirect Costs		Other Indirect Costs	
	Minimum Recovery	Target Recovery	Minimum Recovery	Target Recovery	Minimum Recovery	Target Recovery
Level One: Includes:						
Community Events (A)	25%	100%	0%	25%	0%	0%
Vital Services (I)						
Level Two: Includes:						
Special Events (B)	50%	100%	0%	50%	0%	0%
Special Interest Groups (J)						
Level Three: Includes:						
Day Camps (D)	100%	100%	50%	75%	0%	0%
Youth Sports Programs (G)						
Level Four: Includes:						
Recreation Classes and Specialty Camps (E)	100%	100%	75%	100%	0%	25%
Adult Sports Programs (F)						
Level Five: Includes:						
Other Events (C)	100%	100%	100%	100%	50%	100%
Tournaments and Competitions (H)						

7. Cost Recovery Implementation and Management

Division staff will establish, and the Department Director will approve, strategies for achieving cost recovery goals. Strategies will be implemented based on the best interests of maintaining a strong program and reaching the designated recovery goals within a period not to exceed one year. The process for cost recovery shall be as follows:

- a. Each recreation program or service will be assigned to the appropriate Program Category, establishing the recovery level for the program.
- b. Staff will determine appropriate revenue source(s) for the program and establish user fees, sponsorships/donations, vendor fees, and/or grant amounts necessary to meet minimum cost recovery.
- c. Programs will be reviewed annually to determine if they are meeting the minimum cost recovery percentage.
- d. Programs that are unable to meet the minimum cost recovery will be reviewed by the Department Director for consideration of appropriate action, including restructuring or eliminating the program.
- e. Programs that meet minimum cost recovery and do not exceed target recovery will not require action.
- f. Programs that exceed target cost recovery will be reviewed to determine whether or not fees should be decreased, the program should be placed in a different Program Category or Recovery Level, or other action is needed.
- g. An annual report will be presented to the Parks and Recreation Commission by October 31 and to the City Council by December 31 each year summarizing the programs offered during the prior fiscal year and whether cost recovery goals for each program were met.

8. Right of Exclusion

The City Manager is authorized to exclude individual programs from the Cost Recovery Policy. Said programs shall be budgeted as approved by the City Council. Said programs shall not be required to meet Cost Recovery requirements and may operate below recovery levels for the program category, or without revenue sources.