

City of Alexandria, Virginia

MEMORANDUM

Date: MARCH 15, 2022

TO: THE HONORABLE MAYOR AND THE MEMBERS OF THE CITY COUNCIL

FROM: BUDGET AND FISCAL AFFAIRS ADVISORY COMMITTEE (BFAAC)

SUBJECT: MEMO #7 – RECREATION, PARKS, AND CULTURAL ACTIVITIES FEE REVENUE VERSUS EXPENDITURE

At the City Council Budget Retreat on November 7, 2021, BFAAC was asked to compare actual expenditures revenue the Recreation, Parks and Cultural Activities (RPCA) receives from fees to analyze the extent to which the agency relies on City funding to operate. As this data was not readily available from budget documentation, City budget staff pulled the information together and provided it to BFAAC. The information provided only includes the RPCA operating budget and does not include any Capital Improvement Projects for RPCA of which are primarily City funded.

Background

The City of Alexandria’s “Resource Allocation and Cost Recovery¹ Policy” allows RPCA to provide basic services through general revenue funding. The Policy states that “cost recovery, including fees, charges and other methods to recover costs, are considered a responsibility and necessary means to supplement tax revenue and provide a greater level of services that benefit the community.” As a result, RPCA is funded with a complex combination of fees, taxes, grants, and donations. The intent is to provide no or minimal cost services to populations with the fewest recreational alternatives, relying heavily on grants, donations, and other City revenue. RPCA has established an annual process to review cost recovery targets for services provided. The review looks at the cost recovery tiers, established by the City and outlined in the above policy, and the fee structure/rates to determine the viability of programs and the cost recovery target minimums. The tiers are as follows:

¹ City of Alexandria Recreation, Parks and Cultural Activities Resource Allocation and Cost Recovery Policy. <https://media.alexandriava.gov/docs-archives/recreation/info/costrecoverypolicy.pdf>

Tier	Type of Program	Examples	Estimated direct ² cost recovery
1	Programs and services that benefit the general community	Non-monitor park/facility usage and mobile/pop-up and outreach programs	0%
2	Programs and services that might target a primary community but are deemed to benefit Alexandria as a whole and therefore receive a substantial tax investment while charging a minimal to partial fee to users	Community-wide and City produced events and preschools in most cases are needs based;	20%
3	Programs and services that provide a balance of community and individual benefit	Tenant licenses/leases, facilities pass, and tournaments and leagues for use of facilities;	50%
4	Programs and services that have a high individual benefit	Classes, programs, workshops, and clinics;	125%
5	Programs and services that deliver the highest individual benefits	Permitted services, party packages, and equipment rentals.	175%

It is important to note that Tiers 1 and 2 help provide services at no or minimal cost to populations with the fewest recreational alternatives. Further, non-city residents charges are higher since they do not pay City taxes. The tiers above reference “direct expenses” and most RPCA expenses are likely ongoing and not tagged to a particular activity.

Analysis

BFAAC reviewed actual expenditures for FY 2017-21, approved budget for FY 2022, and the City Manager’s proposed budget for FY 2023 to determine funding provided by both fees and other City revenue to RPCA. Fee recovery was low in FY 2020 and 2021 due to COVID-19 and reduced activities in RPCA sponsored activities. As the following table shows overall, RPCA receives about a quarter to a third of its funding from fees. The remainder of the expenditures are covered primarily by other City sources, as well as donations and grants.

Type	FY17 Actual	FY18 Actual	FY19 Actual	FY20 Actual	FY21 Actual	FY22 Revised	FY23 Proposed
<i>Total Expenditures</i>	23,058,681	23,899,635	24,660,281	24,912,676	22,530,662	31,126,035	29,675,014
<i>Total Charges/Fees Revenue</i>	(6,636,972)	(7,024,542)	(7,134,986)	(5,132,255)	(3,191,838)	(9,655,492)	(7,668,934)
<i>Total Exp. Supported Other Sources</i>	16,421,710	16,875,093	17,525,295	19,780,421	19,357,289	21,470,543	22,006,080
<i>% of Exp. Covered by Charges/Fees</i>	28.8%	29.4%	28.9%	20.6%	14.2%	31.0%	25.8%

This means that RPCA receives funding of between \$16.4 million to \$22.0 million a year from sources other than RPCA fees. It is important to note that RPCA fees generate between \$3.2 to

² Direct costs include all the specific, identifiable expenses (fixed and variable) associated with providing a service, program or facility. These expenses would not exist without the program or service and often increase exponentially.

\$9.7 million a year in funding, but it is a small portion of the overall budget requirements for RPCA programs and services.

A further breakdown of RPCA programs into seven categories, shows consistently the non-fees support for RPCA efforts. As the following chart shows, only one of the program groups covers all services with fees or generates more revenue than the costs expended. This is the Arts, Marketing and Special Services program that started in FY 2021. All other program groups require additional non-fee funding from the City.

Program	Type	FY17 Actual	FY18 Actual	FY19 Actual	FY20 Actual	FY21 Actual	FY22 Revised	FY23 Proposed
Arts, Marketing and Special Se	Total Expenditures	-	-	-	-	9,609	15,000	15,000
Arts, Marketing and Special Se	Total Charges/Fees Revenue	-	-	-	-	(28,074)	(15,000)	(15,000)
	Total Exp. Supported by Other Sources	-	-	-	-	(18,465)	-	-
Cultural Activities	Total Expenditures	2,137,567	2,547,912	2,705,930	2,837,587	2,253,719	3,097,095	2,979,051
Cultural Activities	Total Charges/Fees Revenue	(1,332,819)	(1,363,037)	(1,523,080)	(1,291,757)	(1,048,847)	(1,774,751)	(1,662,751)
	Total Exp. Supported Other Sources	804,748	1,184,875	1,182,850	1,545,830	1,204,872	1,322,344	1,316,300
NVRPA	Total Expenditures	284,587	290,136	294,481	305,667	313,034	310,346	324,926
NVRPA	Total Charges/Fees Revenue	-	-	-	-	-	-	-
	Total Exp. Supported Other Sources	284,587	290,136	294,481	305,667	313,034	310,346	324,926
Park Ops and Capital Dev/p	Total Expenditures	9,091,172	8,964,351	9,212,402	8,834,330	8,225,531	10,928,309	10,439,816
Park Ops and Capital Dev/p	Total Charges/Fees Revenue	(160,702)	(156,156)	(147,267)	(98,998)	(31,795)	(1,133,311)	(294,606)
	Total Exp. Supported Other Sources	8,930,470	8,808,195	9,065,135	8,735,332	8,193,736	9,794,998	10,145,210
Recreation Services	Total Expenditures	8,694,114	9,131,042	9,317,405	9,011,778	7,740,105	11,005,400	11,037,425
Recreation Services	Total Charges/Fees Revenue	(4,022,751)	(4,413,122)	(4,600,817)	(2,891,169)	(1,712,535)	(5,253,001)	(4,555,824)
	Total Exp. Supported Other Sources	4,671,363	4,717,920	4,716,588	6,120,609	6,027,570	5,752,399	6,481,601
RPCA Leadership and Management	Total Expenditures	2,851,242	2,966,195	3,130,063	3,923,089	3,988,665	5,769,885	4,878,796
RPCA Leadership and Management	Total Charges/Fees Revenue	(1,120,700)	(1,092,227)	(863,823)	(850,331)	(370,587)	(1,479,429)	(1,140,753)
	Total Exp. Supported Other Sources	1,730,542	1,873,968	2,266,241	3,072,759	3,618,077	4,290,456	3,738,043
Waterfront Operations	Total Expenditures	-	-	-	225	-	-	-
Waterfront Operations	Total Charges/Fees Revenue	-	-	-	-	-	-	-
	Total Exp. Supported Other Sources	-	-	-	225	-	-	-
RPCA Overall	Total Expenditures	23,058,681	23,899,635	24,660,281	24,912,676	22,530,662	31,126,035	29,675,014
	Total Charges/Fees Revenue	(6,636,972)	(7,024,542)	(7,134,986)	(5,132,255)	(3,191,838)	(9,655,492)	(7,668,934)
	Total Exp. Supported Other Sources	16,421,710	16,875,093	17,525,295	19,780,421	19,357,289	21,470,543	22,006,080
	% of Exp. Covered by Charges/Fees	28.8%	29.4%	28.9%	20.6%	14.2%	31.0%	25.8%

Conclusion

RPCA is a critical part of the City programs and services to the community. User fees pay for about only between a quarter to third of the services provided. Further, this review only looked at fees and the operating (general funds) budget. RPCA also receives funding through the Capital Improvement Program (CIP) that were not included in this review. These efforts are only funded with City revenue not fees generated by RPCA. For example, there is an Athletics Field Improvements project in the CIP that will spend \$22.1M over the next 10 years.

The intent of the City, through RPCA programs, is to provide a greater level of services and programs to the community, plus provide services to populations with the fewest recreational alternatives. As a result, RPCA programs and services will always require non-fee revenue to cover expenditures. Having an RPCA fee fund all programs and services would result in a fee structure that could potentially triple or quadruple and would thus be out of range for the very populations many of those programs and services are intended to support. The annual review by RPCA on the fee structure is critical to ensuring the services and programs remain affordable and accessible.