Resource Allocation and Cost Recovery Philosophy, Model and Policy

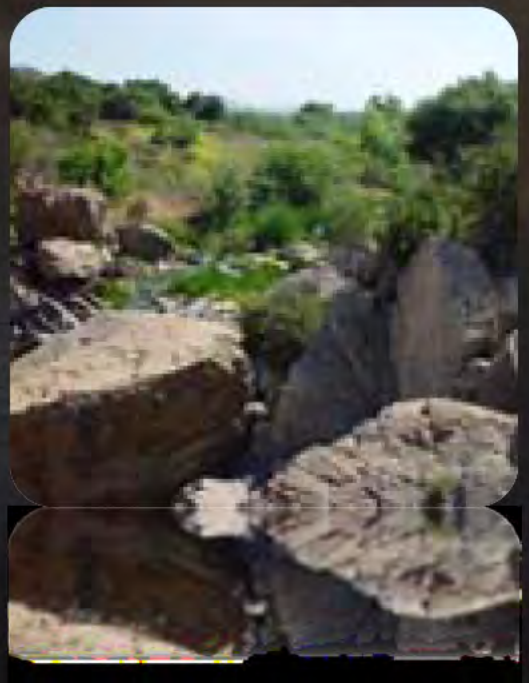
CITY OF *Alexandria* VIRGINIA

The Pyramid Methodology

November 14, 2012
City Manager's presentation

Resource Allocation and Cost Recovery Philosophy, Model and Policy

- Welcome & introductions
- Why a study
- Working together



Agenda

I. Process review

II. Engagement strategies

III. The tools & next steps

IV. Your thoughts, questions, & comments

V. Thank you, acknowledgments & closing remarks

Alexandria, VA Recreation, Parks and Cultural Activities Department

GreenPlay LLC

The Leading Edge In Parks, Recreation And Open Space Consulting

Project Team

The Process

- Rooted in values, vision & mission
- Public outreach & participation
- Public & private providers
- Use of taxpayer investment
- Partnerships & revenue enhancement opportunities
- Goals, objectives and action steps
- It's a means, not an end

Engagement Strategies

- Public Meetings
  - Workshop II – Sorting the Categories of Service on the Pyramid
  - Lays the foundation for discussion and implementation

Key Issue:

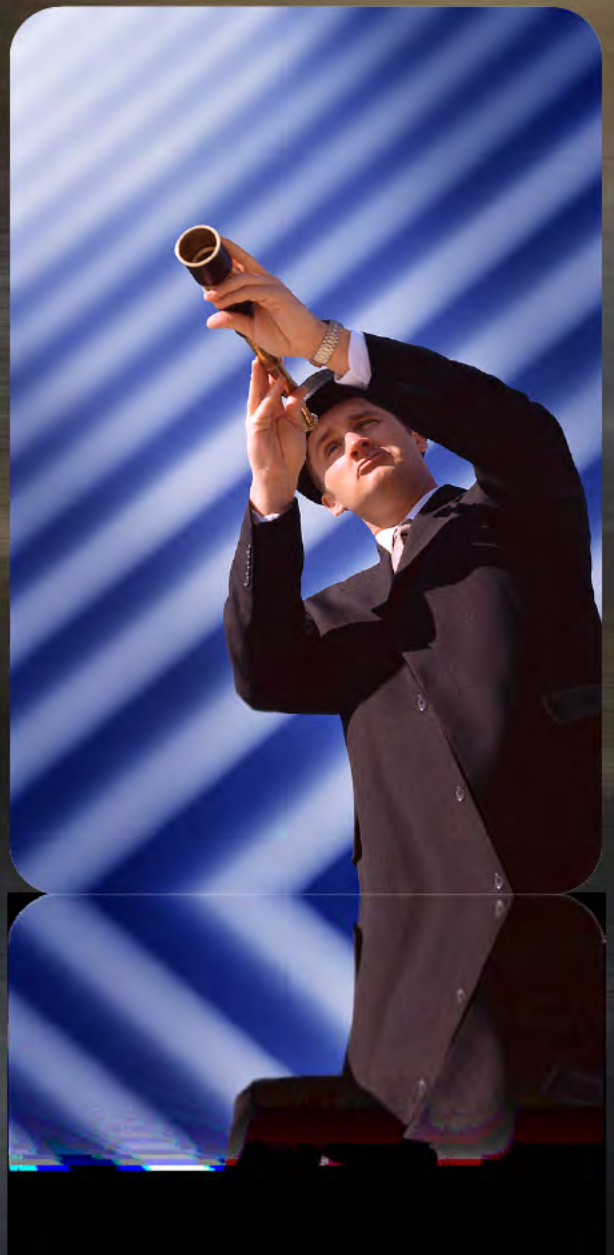
Hearing all Voices, Education, Transparency, Buy-In

Sample Organizational Values

- Healthy lifestyles
- Economic development
- Fiscal and environmental stewardship
- Reasonable access
- History and legacy
- Accountability and collaboration
- Build community and civic pride
- Safe fun and play
- Balanced services

Vision

- Focuses on the future
- Articulates an achievable ideal
- Imagines what others may not be able see
- Creates an image of what extraordinary feats are possible!!



What's Your Vision?

- What will the community "need" from parks and recreation in the future?
- What three conditions/issues will parks and recreation influence? What are the priorities?

Mission Statement

- Leads to the realization of the organization's vision based upon the organization's values
- Addresses who is served; what services are provided; how services are provided; and why they are provided

Alexandria's RPCA Mission . . .

is to promote a vibrant, safe and attractive city of opportunity through the development of effective and efficient recreation programs, facilities and parks for all citizens and residents to enjoy.

Recap…

Values – What is important

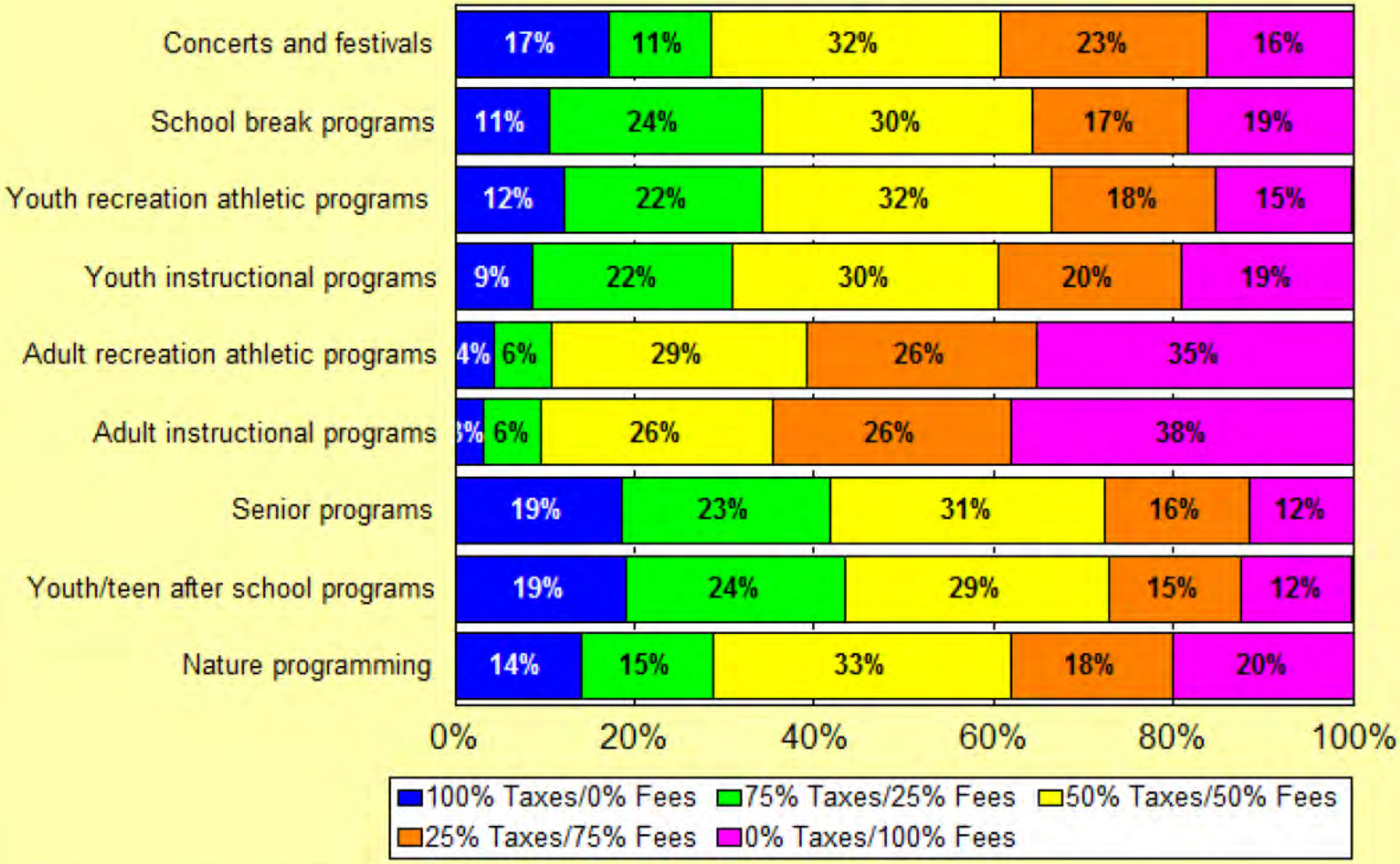
Vision – Our future position; the condition(s) we hope to have influenced in the future

Mission – Who we serve; the services we are in the business of providing; what we do to work towards and achieve our vision; why we do what we do

2011 Needs Assessment

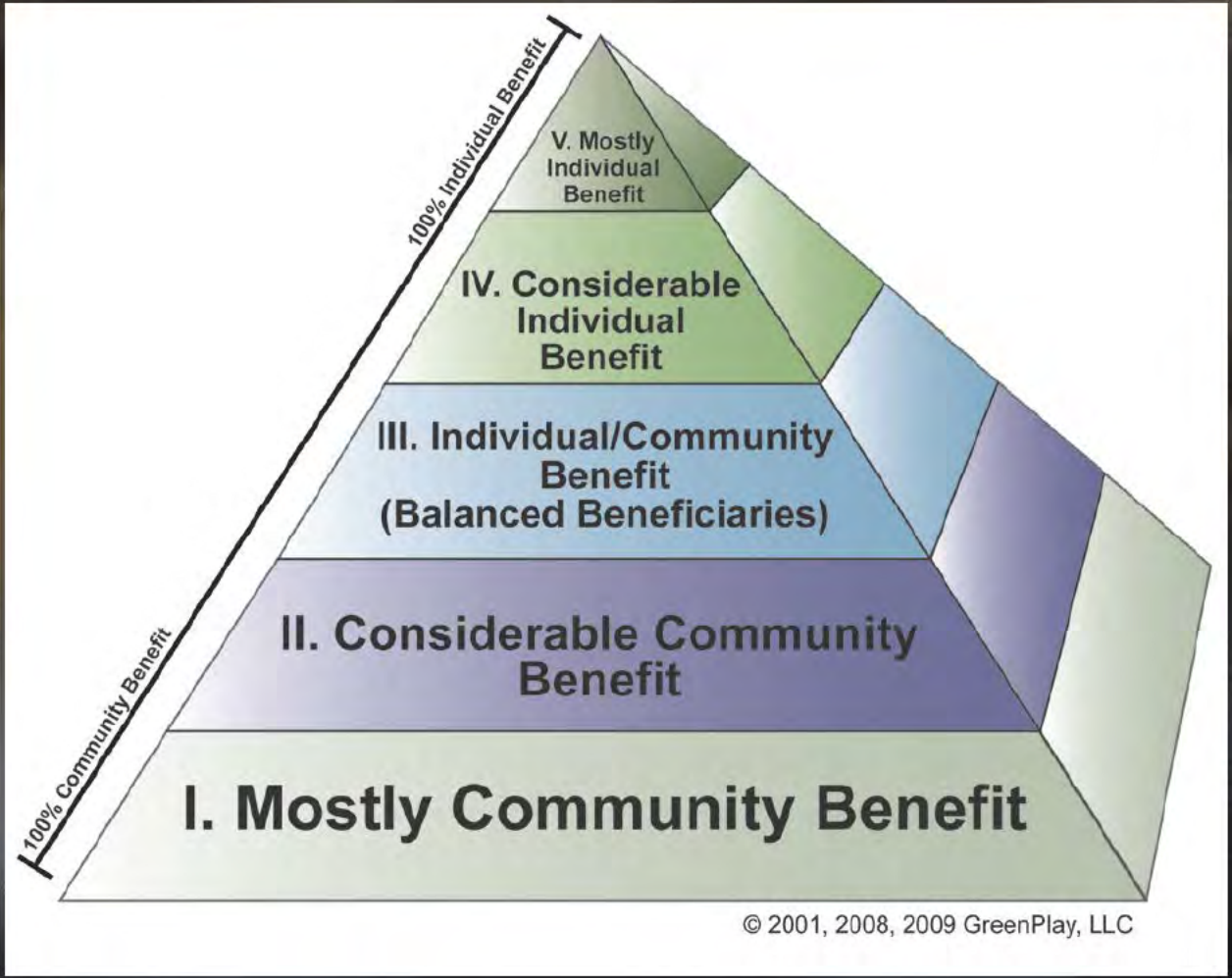
Q10. Percentage of Activity/Program Direct Costs That Should Be Paid Through Taxes and Fees

by percentage of respondents



Source: Leisure Vision/ETC Institute (July 2011)

Resource Allocation
The Pyramid Methodology



Where do we use our resources?

What do we subsidize with taxpayer funds?

Pyramid Methodology - 10 steps

1. Build on Organizational Values, Vision and Mission
2. Understanding the Pyramid – the Benefits Filter and Secondary Filters
3. Develop the Organization's Categories of Service
4. Sort Categories of Services
5. Determine (or confirm) Current Subsidy/Cost Recovery Levels
6. Define Direct and Indirect Costs
7. Establish Subsidy/Cost Recovery Goals
8. Understand and Prepare for Influential Factors and Considerations
9. Implement
10. Evaluate

Distinctions

- $ Philosophy
- $ Policy
- $ Price or Fee vs. Cost
- $ Costs – direct/in-direct
- $ Alternative Funding
- $ Ability to Pay

A common language must be spoken!

The Foundational Level of the Pyramid

Mostly Community Benefit
(All taxpayers)

Benefits the community as a whole

May increase property values and public safety, address social needs, and enhance basic quality of life of all residents.

The Benefits Filter in Action

MOSTLY INDIVIDUAL - elite swimming or diving team

CONSIDERABLE INDIVIDUAL - swim team

INDIVIDUAL/COMMUNITY - swim lessons

CONSIDERABLE COMMUNITY - pool

MOSTLY COMMUNITY - spray ground, non- monitored lake

Secondary Filters

- Access/Type of Service
- Organizational Responsibility
- Historical Expectations
- Anticipated Impacts
- Social Value

Categories of Service - Examples

- Non-Monitored Parks and Recreational Facilities
- Drop-In Monitored Access (non-instructional)
- Camps
- After School Programs
- Preschool
- Tournaments/Leagues
- Activities- Beginner/Novice
- Activities -Intermediate
- Activities-Advanced/Competitive
- Merchandise for Resale
- Concessions/Vending
- Social Services
- Social Clubs
- Trips
- Amusement or Tourism Attraction
- Special Events Partnered or City-Offered
- Exclusive Use Non-profit and Government
- Exclusive Use For-profit and Private
- Exclusive Use Government
- Leased, management services

Cost = Subsidy + Cost Recovery

- Costs are all identifiable expenses associated with a particular unit of service
- Subsidies are tax funding and mandatory fees
- Cost Recovery results from all revenue sources associated with that service
  - $ fees and charges
  - $ grants
  - $ sponsorships
  - $ donations (capital campaigns)
  - $ other, non-taxpayer sources

Direct and Indirect Costs

Direct Costs

Direct costs are the specific, identifiable expenses (fixed and variable) associated with providing a service or program. These expenses would not exist without the program or service.

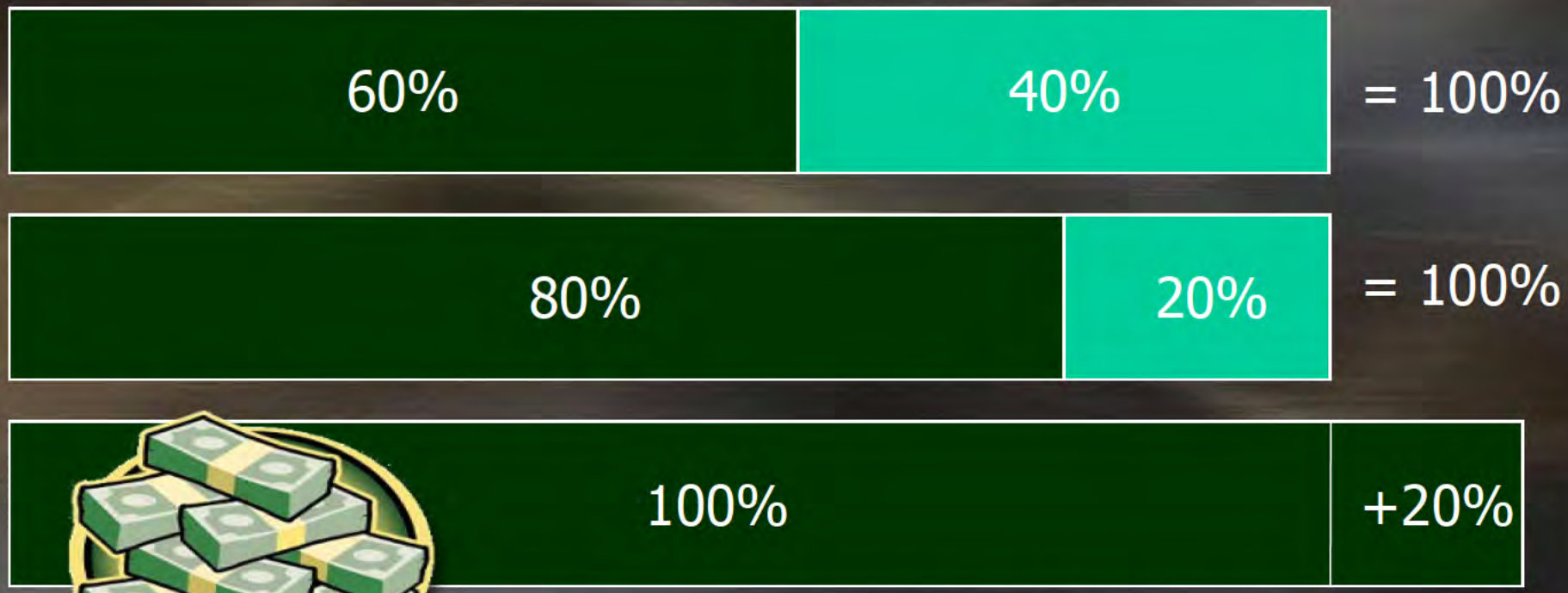
Direct and Indirect Costs

Indirect Costs

Encompasses overhead (fixed and variable) including the administrative costs of the agency

These costs would exist without any specific services and might also be attributed to facility operations (in which case they are direct expenses to the facility or park operations)

Cost Recovery and Subsidy



Excess revenues over direct costs can help fund a scholarship program!

Resource Allocation, Cost Recovery Philosophy, Model & Policy - Project Vision

- establish a rational for resource allocation & cost recovery
- identify & recommend areas for fee increases or pursuit of alternative funding
- focus on short & long-term implementation strategies that efficiently & effectively utilize the community's investment for critical parks & recreation needs
- aligns available & future resources with services & commitments to include desired level of service, sustainable fiscal stewardship, & industry best practices in operating & maintaining the department's infrastructure & providing services
- will produce a systematic implementation plan to ensure the Department is moving in the right direction to meet the needs of the Alexandria community.

Critical Success Factors	Performance Measures
1.Ensure key stakeholders and partners, including community groups, school district representatives, special interest groups, business community, staff and City of Alexandria officials participate in the process.	1.Determine list of invited stakeholders and partners; and provide opportunities for participation and education.
2. Reduce the Department's dependence on the General Fund allocations and enhance revenue opportunities as appropriate.	2. Provide methodology and strategies to explore and implement in a phased approach.
3.Encourage staff participation and "buy-in." Ensure City Council support of process and methodology utilized.	3.Provide ample opportunities for staff education and participation within the project schedule. Inform City Council of methodology planned and ask for comment. Invite to workshops as appropriate.
4. Assure that all services are available to all residents.	4. Recommend a process and management strategy to address this.

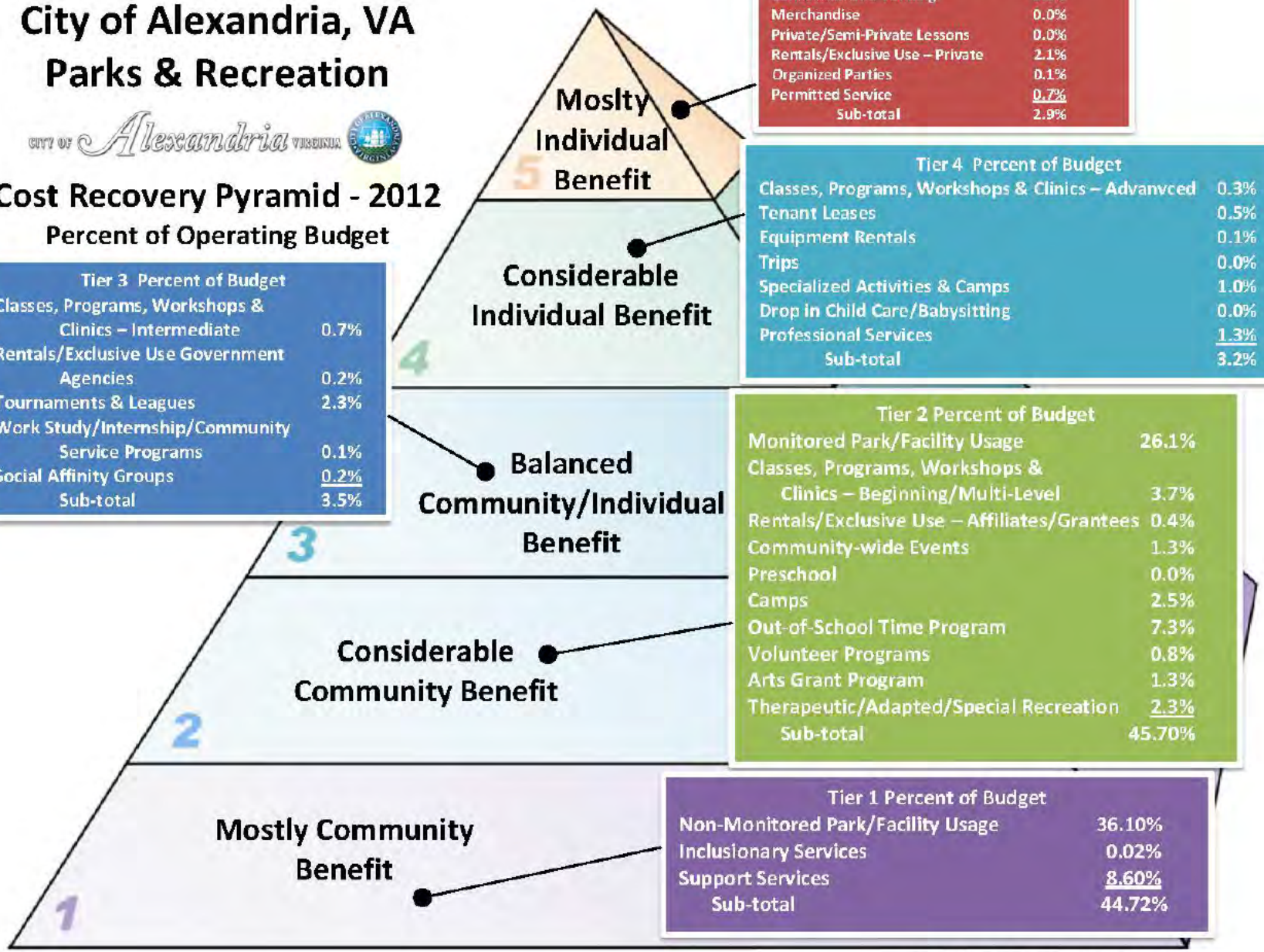
Pyramid Methodology

City of Alexandria, VA
Parks & Recreation

CITY OF Alexandria VIRGINIA

Cost Recovery Pyramid - 2012

Percent of Operating Budget



Tier 5 Percent of Budget	
Concession and Vending	0.0%
Merchandise	0.0%
Private/Semi-Private Lessons	0.0%
Rentals/Exclusive Use – Private	2.1%
Organized Parties	0.1%
Permitted Service	0.7%
Sub-total	2.9%

Tier 4 Percent of Budget	
Classes, Programs, Workshops & Clinics – Advanvced	0.3%
Tenant Leases	0.5%
Equipment Rentals	0.1%
Trips	0.0%
Specialized Activities & Camps	1.0%
Drop in Child Care/Babysitting	0.0%
Professional Services	1.3%
Sub-total	3.2%

Tier 3 Percent of Budget	
Classes, Programs, Workshops & Clinics – Intermediate	0.7%
Rentals/Exclusive Use Government Agencies	0.2%
Tournaments & Leagues	2.3%
Work Study/Internship/Community Service Programs	0.1%
Social Affinity Groups	0.2%
Sub-total	3.5%

Tier 2 Percent of Budget	
Monitored Park/Facility Usage	26.1%
Classes, Programs, Workshops & Clinics – Beginning/Multi-Level	3.7%
Rentals/Exclusive Use – Affiliates/Grantees	0.4%
Community-wide Events	1.3%
Preschool	0.0%
Camps	2.5%
Out-of-School Time Program	7.3%
Volunteer Programs	0.8%
Arts Grant Program	1.3%
Therapeutic/Adapted/Special Recreation	2.3%
Sub-total	45.70%

Tier 1 Percent of Budget	
Non-Monitored Park/Facility Usage	36.10%
Inclusionary Services	0.02%
Support Services	8.60%
Sub-total	44.72%

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Next steps….

- Visioning Session (value added)
- Current cost recovery
- Targets and financial goals
- Cost centers
- Pricing strategies
- Implementation steps and training
- Philosophy and policy report and presentation

Project Schedule

Process, CSF & SKO	May 24
Workshop series	June-September
▪ Workshop I - Staff	July 3
▪ ▪ Creating the categories of service	
▪ Workshop II – Sorting	September 10-13
▪ ▪ Staff and Public – consensus pyramid	
▪ ▪ Direct & indirect costs and current cost recovery	
▪ Workshop III	November 16
▪ ▪ Cost recovery targets, goals & objectives	
Report development	November – January
Park & Recreation Commission presentation	February 21, 2013
Council presentation	TBD???

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Questions?

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