DATE: MAY 16, 2019
TO: PARK AND RECREATION COMMISSION MEMBERS
FROM: JAMES SPENGLER, DIRECTOR
RECREATION, PARKS & CULTURAL ACTIVITIES DEPARTMENT
SUBJECT: 2019 UPDATE TO THE RRPCA RESOURCE ALLOCATION & COST RECOVERY POLICY AND FINANCIAL ASSISTANCE POLICY

ACTION FOR THE PARK AND RECREATION COMMISSION

BACKGROUND:
In May 2012, the Department of Recreation, Parks & Cultural Activities (RPCA) contracted with GreenPlay LLC (GreenPlay) to provide consulting services for the development of a resource allocation policy and cost recovery model for the department. The Resource Allocation and Cost Recovery Policy was adopted by City Council in September 2013 and has been used to determine updates to the recreation fee schedule presented during the annual budget process. These fees, along with market rate program fees, reflect a philosophy of supporting equity among the users of RPCA services. Those services that provide a mostly public benefit receive more tax dollar allocation versus those with a mostly participant only benefit. In all cases, PRCA has continued to provide fee reductions to citizens for core services based on the economic needs under its Financial Assistance Policy.

In the fall of 2018, after five years of actively implementing the policy and model, RPCA re-engaged GreenPlay to work with staff, the Park & Recreation Commission, and the community to conduct community “sorting” of RPCA services and to use current best practices to recommend updates to the adopted policy.

The 2019 Resource Allocation and Cost Recovery update study included a robust staff and public engagement component. The goals for this update were to educate and orient new staff while providing a refresher for staff who were employed during the 2013 study to the cost recovery model and policy that serves as the framework for future planning, budgeting, pricing and resource allocation for the City’s parks, recreation and community services. The consultants working with the City’s project team provided a focused public outreach effort to facilitate an
outcome that reflects City Council goals, the mission and vision of the Department, and values of the community.

Specific goals of this update include:

- Broader and more diverse engagement of the public, considering more avenues for participation
- Expanding the services addressed from *Recreation only* to all divisions of the Department
- Refining of the tool and its understanding by strengthening the naming, definitions and examples for all categories of service, and defining additional categories as appropriate
- Orienting and educating new staff while providing a refresher for staff employed during the initial study
- Providing options and identifying clarifications needed in the existing rental and facility use policy to minimize confusion regarding the basis for appropriate fee reductions
- Addressing appropriate methodology to account for volunteer efforts and other in-kind contributions
- Review current and potential pricing strategies

The Department hosted six public workshops between October 17 - 19, 2018.

- GreenPlay presented an information PowerPoint introduction/orientation to RPCA staff during a staff town hall, followed by conducting a staff *categories of service* sorting exercise.
- Five public meetings were held at locations throughout the City, where the information PowerPoint was presented, followed by the sorting of the *categories of service* exercise by citizens. Participants in the conversations public dialogues represented ethnic diversity, age diversity (young families, senior citizens, adults), and gender diversity, and included stakeholders and affiliates along with the general public.
- The final public meeting included members of the Park & Recreation Commission. The goal of these workshops was to build consensus amongst the staff, public and appointed officials through listening to the as well as differences of opinion, and identifying areas of consensus, confusion, misinformation, or missing information.

In a follow up meeting, staff was presented with the “scoring sheets,” and, guided by GreenPlay, carried out the arduous exercise of making sense of it all using the numbers as general indications, but also considering the community discussions, any confusion, missing information, and new opportunities. Preliminary representation of where each category falls on the pyramid model was determined and resulted in an updated Pyramid Model.

Expanding the input sought from a more diverse group of representatives from all geographic areas of the community, while looking at programs and services through the benefit lens, allowed staff to experience a higher comfort level for refining the categories of service, and appropriate placement on an updated model (Attachment 1).

**DISCUSSION:**
The extensive effort undertaken during this update study has brought to light information critical to addressing resource allocation, financial goals, cost recovery targets, fee setting and decision-making. The pyramid model provides the framework for a discussion; the discussion illuminates
the following key findings, considering both public input and departmental data:

- The existing policy is successful, and the update is building on a solid foundation;
- The community demonstrated support for fee-based programming and accessibility;
- Staff continues to promote and advocate for social equity, and should continue doing so;
- Appropriate “relationship” eligibility should be further clarified for user groups (e.g. affiliates, sponsors, partners, etc.);
- Use of fees should be more strategic;
- Categories of services must be well defined and understood by the public and staff; and
- Effective efficiency and performance measures will support greater sustainability and equity of service.

GreenPlay found that establishing the right price point for fees is often hampered by a desire to assure that no one is excluded due to an economic inability to pay. Their best practice research shows that sound cost recovery fiscal policy shifts to pricing programs and services for the majority who can afford to pay and subsidizing the limited number who can’t.

**RECOMMENDATION:**

Based on the final finding and report from GreenPlay, staff recommend implementing the following key policy related recommendations;

1. Update and adopt the Resource Allocation and Cost Recovery Policy (Attachment 2);
2. Update and adopt the Financial Assistance Policy to address equity and ability to pay, by eliminating the automatic 20% discount for adults 55 years of age and older, and changing the age to 60 years of age and older (Attachment 3); and
3. Update and adopt the Financial Assistance Policy to allow for assistance for programs on Tiers 1-4 on the Resource Allocation Pyramid, reflecting the mission-based services provided by the department (Attachment 3).

The recommendations listed above will be presented to City Council in June 2019. Staff is requesting that the Park and Recreation Commission receive and endorse these recommendations in a letter to City Council.

**ATTACHMENTS:**

Attachment 1: Pyramid Model – 2019 Resource Allocation Methodology
Attachment 2: Updated Draft Resource Allocation and Cost Recovery Policy
Attachment 3: Updated Draft Financial Assistance Policy
RESOURCE ALLOCATION AND COST RECOVERY
Approved by City Council xxx

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Summary
The department is tasked with cost recovery goals in accordance with the City’s annual budget allocation and financial constraints. To that end, the department sets fees and charges in relation to these goals, market conditions, benchmarking, demand, cost recovery targets, and industry trends. A financial assistance policy and process was also developed to allow for maximum resident participation in City Programs and to ensure that no one has a barrier to participation.

Resource Allocation & Cost Recovery Policy
Recreation, Parks and Cultural Activities Department offers services that are funded through a combination of user fees, taxes, grants, and donations. Fees and charges shall be assessed in an equitable manner in accordance with the following fee and charge assessment schedule. Through a special initiative, services that provide recreational opportunities for populations with the fewest recreational alternatives (youth, limited income, senior adults, and families) may be more heavily supported by grants, donations, or property taxes than user fees to ensure that the population is well served by Recreation, Parks and Cultural Activities programs. Percentages shall be considered as guidelines; however, special circumstances, the nature and cost of each program, and persons to be served should be taken into consideration.

Process
- The Recreation, Parks and Cultural Activities shall conduct an annual comprehensive review of cost recovery targets.
- Programs will be sorted and assigned a cost recovery tier using the Pyramid Methodology on a biennial basis.
- A Fee Structure/Rate review will be done annually to determine viability of programs.
- Programs plans are developed and approved with fees set within the tier cost recovery target minimum.
- The Department’s Fiscal Year fee schedule will be included each year as part of the annual budget submittal and will include those services in Tiers 1-2.

City of Alexandria’s Resource Allocation & Cost Recovery Model
The following model represents all categories of services currently provided or those which may be provided in the future by the Department. The model is based upon: the degree of benefit to the community (Tier 1 services are at the low end of the pyramid and provide Mostly Community Benefit) or (Tier 5 services are at the top of the pyramid and provide Mostly Individual Benefit); the values of the Alexandria community; and the vision and mission of the Department of Recreation, Parks and Cultural Activities. This model and policy form the basis for setting fees and charges for services provided by the Department.
Services can always perform better than the target tier minimum cost recovery goals due to demand and market conditions.

a. **Tier 1** programs and services are completely community benefit. Full tax investment with little or no fee support (Tier 1 services are targeted to recover 0% of direct costs, although some of these services may be appropriate for use of alternative funding sources like grants, donations, and volunteers):
   - Non-Monitored Park/Facility Usage
   - Mobile/Pop-up and Outreach Programs
   - Volunteer/Internship/Community Service Programs

b. **Tier 2** Services are programs and services with a primary community benefit, and a substantial tax investment with minimal to partial fee support (as an average, Tier 2 services are targeted to recover a minimum of 20% of direct costs, and many of these services may be appropriate for use of alternative funding sources like grants, donations, and volunteers):
   - Monitored Park/Facility Usage and Maintenance
   - Community-wide and City-produced Events
   - Preschool*

c. **Tier 3** Programs and Services provide a balance of community and individual benefit. Primarily fee supported services with little or no tax investment (as an average, Tier 3 services are targeted to recover a minimum of 50% of direct costs, and some of these services may be appropriate for use of alternative funding sources like grants, donations, and volunteers):
   - Tenant Licenses/Leases – Partners/Affiliates
   - Rentals/Exclusive Use – Partners/Affiliates/Community Service
   - Facility Pass and Drop-in Use for Monitored Areas
   - Classes, Programs, Workshops, and Camps – Beginner/Multi-level
   - Therapeutic/Adapted/Special Recreation Services and Programs
   - Out of School Time Program/Summer Camp
   - Tournaments and Leagues
   - Permitted Special Events
   - Social Clubs/Affinity Groups

d. **Tier 4** and **Tier 5** Programs and services that have a high individual benefit and should incur no subsidy. Our Tier 4 and 5 programs are revenue positive over direct costs:
   - **Tier 4** targeted at 125% of direct costs
     - Classes, Programs, Workshops, and Clinics – Advanced/Competitive/Certification
     - Trips
     - Specialized Activities/Camps

- **Tier 5** services are targeted to recover a minimum of 175% of direct costs:
  - Tenant Licenses/Leases* – Private/For Profit
  - Rentals/Exclusive Use – Private
  - Rentals/Exclusive Use – Private Business
  - Permitted Services
  - Private/Semi-Private Lessons
  - Party Packages
  - Equipment Rentals
  - Concession/Vending*

*Categories of service that are not currently in use, but that may be considered in the future.
**Cost of Services**
The following general definitions will be used to determine the cost of providing all services.

Direct Cost: Includes all of 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.

Indirect Cost: Encompasses overhead (fixed and variable) including the administrative costs of the agency. These costs would exist without any of the specific programs or facilities.
*Categories not currently in use, but may be considered in the future
Section 1 – RPCA Sponsored Programs

Summary
The department encourages resident participation in City programs. A financial assistance policy and process is developed to allow for maximum resident participation in City programs.

Eligibility
All City residents who meet qualifications are eligible. All City programs on Tiers 1-4 of the Resource Allocation and Cost Recovery Policy are eligible for financial assistance.

Policy
Financial assistance may be granted according to the following schedule:

- 40% reduction for households where a child receives free or reduced lunch at an Alexandria City School.
- 50% reduction for households where a child receives free or reduced lunch and the family receives nutrition assistance (SNAP).
- 70% reduction for households where a child receives free or reduced lunch and also receives Temporary Assistance for Needy Families (TANF), or where they reside in a City of Alexandria temporary shelter.
- Resident seniors (60 years old and above) may request a 20% discount on each program.
- Adults without children who have proof of receiving SNAP, Medicaid, or receive housing assistance may be granted a 30% fee reduction.
- Any resident may request assistance outside of the parameters listed above; if approved, the level of assistance is determined based on the application.

Procedures:
1. Resident completes the application and submits the accompanying documentation to the Recreation Program Manager/Center Director. Applications must be accompanied by written documentation.
2. Recreation Program Manager/Center Director reviews and verifies documentation.
3. Recreation Program Managers/Center Directors may approve and sign the application as the Department Director Designee.
4. The applications must be stored with the registrations and made available upon request.
5. Any financial assistance requested that differs from the stated policy, or without documentation, must be approved by a Division Chief.
Section 2 – Youth Sports Scholarship Fund Policy

No changes proposed.