



Cost Recovery and Resource Allocation Model

Coconino County Parks and Recreation Department
Connecting People, Cultures and Communities

Contents

<u>Executive Summary</u>	3
<u>Establishing Definitions</u>	4
<u>Philosophy vs. Policy</u>	4
<u>Understanding the Pyramid Methodology</u>	5
<u>Looking Beyond the Benefits Filter</u>	7
<u>Assigning Levels of Subsidy and Cost Recovery</u>	8
<u>Conclusion</u>	9
<u>Appendix A</u>	10
<u>Appendix B</u>	13

Executive Summary

Adjusting or assigning fees for public services and agonizing over where to allocate precious subsidies is often a time of apprehension for staff, elected officials and the public. As the ability to subsidize public programs becomes ever more challenging, the need to evaluate the cost of delivering public services and recovering some or all of those costs has become a topic of increased discussion among local governments throughout the country. Parks and recreation departments in particular have been pressed to carefully analyze the services they offer, determine the costs of providing those services, and conclude which services are most deserving of tax-based subsidies and which should the end-user bear the burden of funding through fees. This call to action has, in many cases, resulted in cost recovery and resource allocation policies. These policy tools provide accountability, transparency and guidance for allocating resources and assigning fees.

The Coconino County Parks and Recreation Department (CCPR) has undergone its own extensive evaluation of costs for services, revenues and fees. After conducting this thorough study, it became apparent that staff needed guidance or a supported methodology for proposing any set of fees. In accordance with the 2009 Organizational Master Plan and in pursuit of best financial management practices, staff has arrived at a policy proposal that details the department's core services, their level of benefit to the community and/or the individual user, and proposes a range of subsidy and/or cost recovery for each. This paper will outline the department's work towards the development of a resource allocation and cost recovery policy. Ultimately such a policy reflects the agency and its public's philosophy for subsidizing services and recovering costs for delivering services. The effectiveness of such a policy lies in the support it receives from staff, the Parks and Recreation Commission, the Board of Supervisors and the public.

In this report staff will propose a resource allocation and cost recovery methodology that is widely used and accepted throughout the parks and recreation industry – the *Pyramid Methodology*. The intent is to seek general Board direction through this paper, obtain input and recommendation from the Parks and Recreation Commission, reach out to the public for comment on the underlying cost recovery philosophy and proposed fee schedule, and then obtain Board approval of both cost recovery model and proposed fee schedule.



Philosophy vs Policy

- A cost recovery **philosophy**, once accepted by staff, the Parks and Recreation Commission, the Board of Supervisors and the public would result in a cost recovery and resource allocation **policy**.
- A **philosophy** discussion and eventual **policy** could assist CCPR in furthering a department goal of structuring a financial management plan.
- Critical to this philosophical and policy undertaking is support from staff, elected officials, and the public.

Establishing Important Definitions

The following definitions play into the how much a program is subsidized and how much the user is expected to financially contribute toward receiving any given service.

Cost Recovery

- It is the degree to which the cost of operations and maintenance of programs and services are financially supported by:
 - user fees and/or
 - grants,
 - partnerships,
 - donations,
 - sponsorships, or
 - other funding sources.
- It is important to determine the direct costs for each service and what indirect costs does the agency want to collect, if any.

Subsidy

- It includes general funding sources such as sales taxes, property taxes, or other taxing mechanisms that financially support operations and maintenance of programs and services.
- Subsidy dollars provide for service costs that are not recovered by either user fees or other forms of alternate funding.

Subsidy can be considered as the community's investment in parks and recreation.

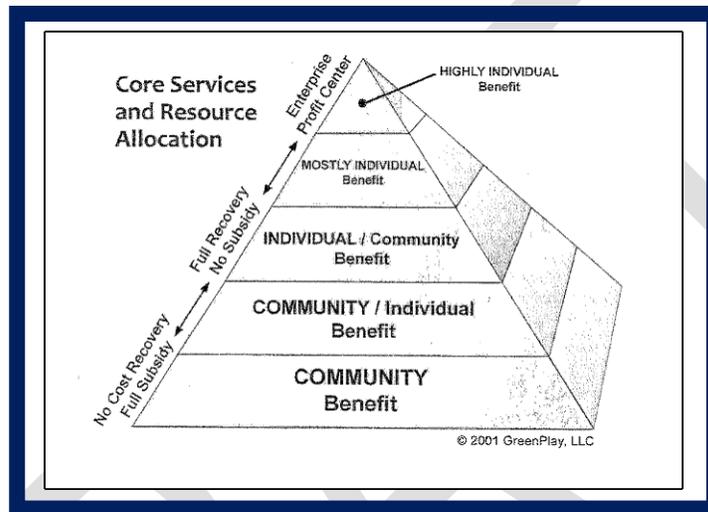
Resource Allocation

- It is the ratio of tax-based funds used to support specific programs and services. The difference is collected from user fees and/or alternate forms of funding.
- The ability to subsidize programs and services is limited to the amount of tax-based funding available.
- Subsidy ratios per program or service is determined by available funds, agency philosophy, and input from staff, elected officials and the public.

Understanding the Pyramid Methodology

The Pyramid is a Resource Allocation Modeling Tool

As a resource allocation model, the Pyramid Method ultimately becomes a management tool that can help an agency make decisions about its financial resources and the establishment of fees for the services it provides. When complete, the model details an agency's services and the cost recovery and subsidy levels that have been assigned for each service. The model is an excellent, easy to understand way to conceptualize an agency's cost recovery and subsidy philosophy and policy. It becomes a tool that provides transparency, accountability and guidance.



Utilizing a 'Benefits Filter' is the foundation of the Pyramid Method. This method is based on answering the question **"who benefits from the service?"** coupled with the agency's resource allocation philosophy. It attempts to determine if the community in general or the individual or group receiving the service is the beneficiary of the provision. It asks the question who is generating the need for the service and therefore will the imposition of a fee pose a hardship on certain users? Finally, how the level of the fee will affect the demand for the service is considered.

Taking a Closer Look at Each Level and CCPR's Programs and Services

Before aligning programs and services onto the Pyramid, it is important to identify the agency's list of core services. Coconino County's core list of parks and recreation services is outlined in Appendix A. Each program and service is evaluated for who most benefits from the service, and then is placed on the Pyramid level that represents the agency and its stakeholders' philosophy. Notice that when CCPR staff engaged in this service alignment exercise, the Pyramid resulted in a model unique to this agency and has only four levels as opposed to the five in the example above.

COMMUNITY Benefit – Programs and services that benefit the community as a whole. These services may increase property values, provide safety, address social needs, and enhance the quality of life for residents. **These types of services are generally paid through taxes.**

- ❖ Park and Facility Maintenance
- ❖ Planning and Design
- ❖ Parks
- ❖ Natural Areas
- ❖ Trails

COMMUNITY/Individual Benefit – Programs and services that promote individual physical and mental well-being, and may promote skill development. **These services are generally paid through taxes and user fees.**

- ❖ Youth Recreation Programs
- ❖ Senior Recreation Programs

INDIVIDUAL/Community Benefit – Programs and services that have a highly individual benefit and an underlying community benefit. These services may promote individual physical and mental well-being but also represent specialized or individualized services. **These services are generally paid through user fees to a level that recovers all direct costs.**

- ❖ Non-profit Athletic Field Rentals
- ❖ Non-profit Special Event Facility Rentals
- ❖ Adult Recreation Programs
- ❖ Ticketed Community Events
- ❖ County Fair

HIGHLY INDIVIDUAL Benefit – Programs and services that have a profit potential, may share market space or needed assets with the private sector, or may fall outside the core mission of the agency. **These types of services are generally paid through user fees to a level that recovers all direct costs and a designated profit percentage.** “Profit” in this context is additional funding that will offset subsidies in the other allocation categories.

- ❖ Standard Athletic Field Rentals
- ❖ Standard Special Event Facility Rentals
- ❖ Campground
- ❖ Stables
- ❖ Ramada Rentals
- ❖ Public/Private Partnerships
- ❖ Concessions/Merchandise Sales

Looking Beyond the 'Benefits' Filter

When placing services onto the Pyramid using the Benefits Filter, it becomes clear that in some instances there are other factors or "filters" that often come into play. The following additional filters can help determine where services are placed onto the Pyramid. **The far left of each filter's continuum represents a higher rate of subsidy while the far right indicates low to no subsidy.**

Marketing Filter – What is the effect of the program in attracting customers?



Commitment Filter - What is the scope of the program? What is the commitment of the participant?



Trends Filter – Is the program or service tried and true, or is it a fad?



Obligation Filter – Is it CCPR's role to provide? Is it mandated?



Who You Serve Filter – Are you targeting certain populations?

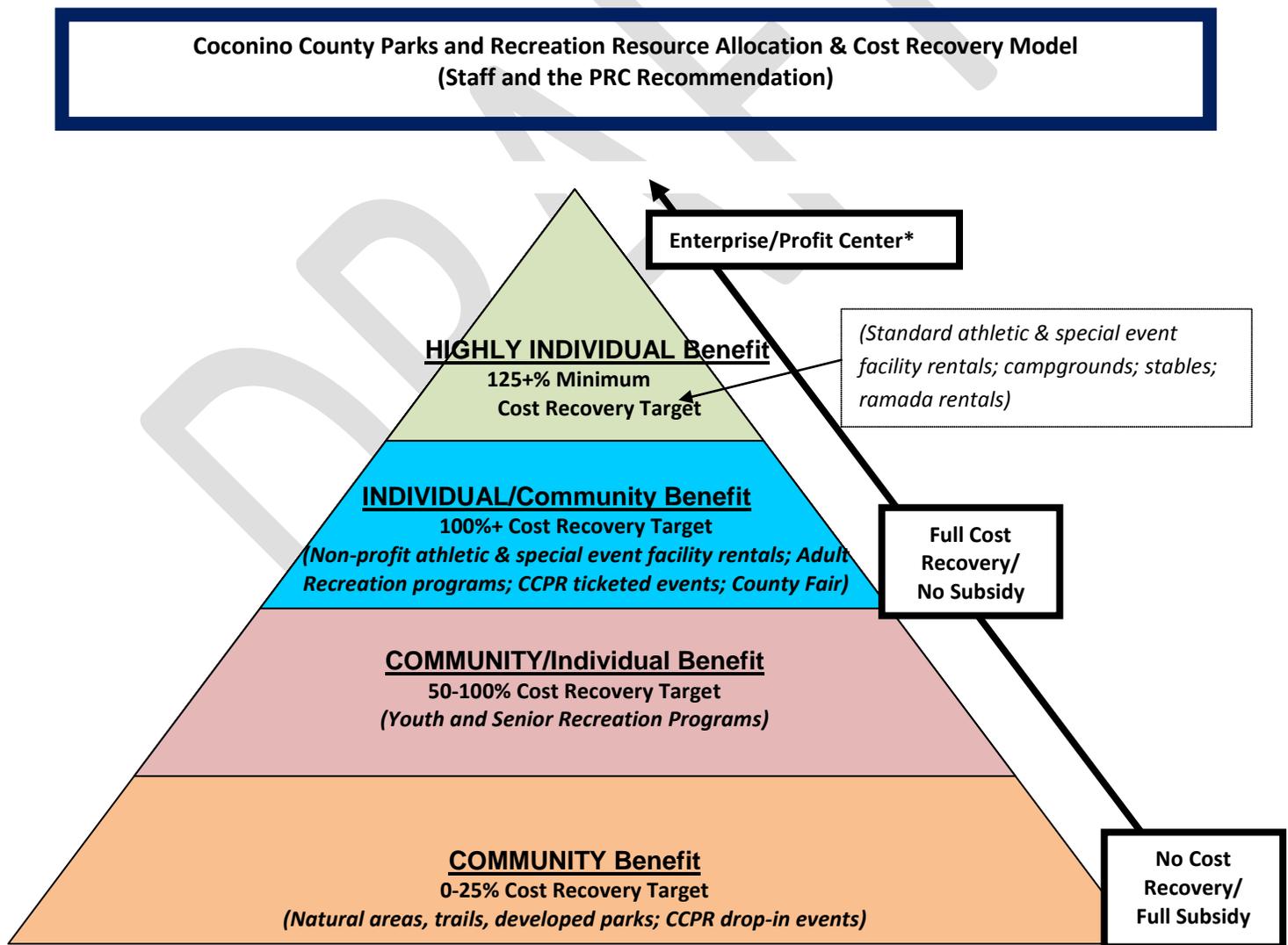


Political & Historical Filters - though not on a continuum, these are realities which many entities must consider and will at times dictate where some programs and services are placed onto the Pyramid.

Assigning Levels of Subsidy and Cost Recovery

Once the agency has outlined its core services and assigned them onto the Pyramid Level that best aligns with the agency's philosophy, the following step is to designate degrees of subsidy and/or cost recovery for each level. Resource allocations, or subsidy levels, are intended to be *goals* - they provide guidance from which to start considering where to utilize funding resources or to assess fees. These goals also serve as benchmarks from which to analyze the success or underperformance of programs and services and it aids staff in making decisions about retaining, modifying or eliminating them.

The Parks and Recreation Department and the Parks and Recreation Commission recommend the following model which outlines the department's core services along the Pyramid Model levels and the recommended goals for resource allocation, and cost recovery. Also see Appendix B for greater detail for each program and services as well current subsidy and cost recovery ratios.



*Profit in this context is additional funding that will offset subsidies in the other allocation categories.

Conclusion

The Parks and Recreation Department has undertaken an extensive analysis of its costs to provide services along with its existing user fees. Prior to presenting a proposed, modified fee schedule, staff recommends adopting a foundation. Staff recommends a foundation that provides transparency, accountability and guidance for how the County's Parks and Recreation Department utilizes the public's investment in parks and recreation and how the department assigns fees to its programs and services. This foundation, if accepted by the Board of Supervisors, will be the basis from which a Cost Recovery policy will be developed.

This Green Paper describes the methodology and the outcome of staff's recommendation. This information has been presented to the Parks and Recreation Commission and the Commission supports staff's recommendation. With an endorsement from the Board of Supervisors, staff intends on presenting this information and a draft policy to the public for their input. In addition, staff will host a series of public input sessions at which stakeholders and citizens will have the opportunity to discuss and comment on a proposed fee schedule that is based on the foundation herein described. Finally, staff will bring forth a publically vetted cost recovery policy and fee schedule to the Board of Supervisors for approval.

Appendix A

Coconino County Parks & Recreation Core Service Categories

Natural Areas – open for drop-in public access to semi- or undeveloped natural open spaces and associated interpretive signage, wildlife viewing platforms and trails. Not available for rent. Managed and maintained by CCPR staff. Does not involve onsite CCPR staff supervision.

- Pumphouse County Natural Area
- Rogers Lake County Natural Area

Developed Parks - open for drop-in, public access to area parks and associated infrastructure. Includes playgrounds, walking paths, trails, outdoor sport courts, skate park, picnic areas, ramadas when not being reserved, etc. Managed and maintained by CCPR. May or may not involve onsite CCPR staff supervision.

- Fort Tuthill County Park
- Raymond County Park
- Sawmill County Park
- Peaks View County Park
- Louise Yellowman County Park
- Cataract Lake County Park

Trails – outside of developed parks, open to public access with varying levels of difficulty from easy to moderately challenging. Managed and maintained by CCPR staff. Does not involve onsite CCPR staff supervision.

- Arizona Trail
- Flagstaff Loop Trail
- Highlands Trail
- Highlands Loop
- Sechrist Trail

Rental Facilities -

Athletic Fields & Sport Court Rentals – Standard: rentals of fields and sport courts for exclusive use for limited time periods by a private individual, group or for-profit entity. Does not involve onsite CCPR staff supervision.

- Peaks View County Park
- Raymond County Park
- Fort Tuthill County Park
- Louise Yellowman County Park

Athletic Fields & Sport Court Rentals – Non-Profits: rentals of fields and sport courts for exclusive use for limited time periods by a non-profit entity. Does not involve onsite CCPR staff supervision.

- Peaks View County Park
- Raymond County Park
- Fort Tuthill County Park
- Louise Yellowman County Park

Special Event Facilities – Standard: rentals of equipment, buildings and park spaces for exclusive use for limited time periods by a private individual, group or for-profit entity. Involves onsite CCPR staff supervision.

- Fort Tuthill County Park
 - Fairgrounds Area
 - Posse Arena
 - Grandstands Area
 - Other approved event areas throughout the park system

Special Event Facilities – Non-Profits: rentals of equipment, buildings and park spaces for exclusive use for limited time periods by a non-profit entities conducting a special event that is open to the general public. Involves onsite CCPR staff supervision.

- Fort Tuthill County Park
 - Fairgrounds Area
 - Posse Arena
 - Grandstands Area
 - Other approved event areas throughout the park system

Campgrounds: rental for exclusive use for limited time periods of campground facilities by a private individual, group, non-profit or for profit. Involves CCPR staff supervision.

- Fort Tuthill County Park

Stables: rental for exclusive use for limited time periods of stabling facilities by a private individual, group, non-profit or for profit. Involves CCPR staff supervision.

- Fort Tuthill County Park

Ramada Rentals: rental for exclusive use for limited time periods of picnic ramadas by a private individual, group, non-profit or for profit. May or may not involve CCPR staff supervision.

- Fort Tuthill County Park
- Raymond County Park
- Sawmill County Park
- Peaks View County Park
- Louise Yellowman County Park

Outdoor Recreation Programs –

Youth Programs: recreational, instructional, and educational programs for youth in the areas of outdoor recreation/fitness, nature education, arts and crafts and indoor recreation/fitness. These programs are geared towards all skill levels, take place over one or multiple sessions, and typically are progressive in their content. Programs are supervised by a CCPR instructor.

Adult Programs: recreational, instructional, and educational programs for adults in the areas of outdoor recreation/fitness, nature education, arts & crafts and indoor recreation/fitness. These programs are geared towards all skill levels, take place one or multiple sessions, and typically are progressive in their content. Programs are supervised by a CCPR instructor.

Senior Programs: recreational, instructional, and educational programs for adults in the areas of outdoor recreation/fitness, nature education, arts & crafts and indoor recreation/fitness. These programs are geared towards all skill levels, take place one or multiple sessions, and typically are progressive in their content. Programs are supervised by a CCPR instructor.

Special Events –

County Fair: a historical event for which an admission is charged and with community-wide appeal. Produced and managed by CCPR staff.

CCPR Community Events - Ticketed: multigenerational, annual events where a fee is charged to attend/participate. These are typically offered on a one-time or limited basis. Advanced registration may or may not be required. Special events are produced and supervised by CCPR staff.

CCPR Community Events – Drop-in: events which are free or low cost and have a community-wide appeal. Special events are produced and supervised by CCPR staff.

The following are not departmental core services and as such have not been included in any cost recovery/resource allocation philosophy or policy work.

Additional Services -

Public/Private Partnerships: exclusive use of space and facilities for ongoing periods by private individual, group or for-profit entities.

- North Pole Experience
- Flagstaff Extreme
- Pepsi Amphitheater

Community Partnerships: exclusive use of space and facilities for ongoing periods by non-profit organizations that historically have occupied their respective space and facilities.

- Flagstaff Archery Club
- Gems & Minerals Society
- High Country Hounds
- Fort Tuthill Military Museum
- Flagstaff Model Railroad Club

Appendix B

Coconino County Parks & Recreation Core Service Categories (Staff Recommendations)

CORE SERVICE CATEGORY	CORE SERVICE	DESCRIPTION	FY12 INDIRECT COSTS (FYI Only)	FY12 DIRECT COSTS	FY12 SUBSIDY	FY12 COST RECOVERY	PYRA-MID LEVEL	COST RECOVERY GOAL
Natural Areas		Open for drop-in public access to semi- or undeveloped natural open spaces and associated interpretive signage, wildlife viewing platforms and trails. Not available for rent. Managed and maintained by CCPR staff. Does not involve onsite CCPR staff supervision.	\$4,768	\$9,933	100%	0%	COMMUNITY Benefit	0 - 25%
Developed Parks		Open for drop-in, public access to area parks and associated infrastructure. Includes playgrounds, walking paths, trails, outdoor sport courts, skate park, picnic areas, ramadas when not being reserved, etc. Managed and maintained by CCPR. May or may not involve onsite CCPR staff supervision.	\$166,947	\$184,137	100%	0%	COMMUNITY Benefit	0 - 25%
Trails		Outside of developed parks, open to public access with varying levels of difficulty from easy to moderately challenging. Managed and maintained by CCPR staff. Does not involve onsite CCPR staff supervision.	Costs are bundled into Developed Parks. Indirect Costs can be tracked starting in FY14.	Costs are bundled into Developed Parks. Direct Costs can be tracked starting in FY14.	100%	0%	COMMUNITY Benefit	0 - 25%
Rental Facilities								

CORE SERVICE CATEGORY	CORE SERVICE	DESCRIPTION	FY12 INDIRECT COSTS (FYI Only)	FY12 DIRECT COSTS	FY12 SUBSIDY	FY12 COST RECOVERY	PYRA-MID LEVEL	COST RECOVERY GOAL
①	<i>Athletic fields & sport court rentals – standard</i>	Rentals of fields and sport courts for exclusive use for limited time periods by a private individual, group or for-profit entity. Does not involve onsite CCPR staff supervision.	\$1,396	\$2,898	70%	30%	Highly Individual Benefit	125% or > of direct costs
①	<i>Athletic fields & sport court rentals – non-profits</i>	Rentals of fields and sport courts for exclusive use for limited time periods by a non-profit entity. Does not involve onsite CCPR staff supervision.	\$1,850	\$3,864	86%	14%	Individual/Community Benefit	100% or > of direct costs
①	<i>Special event facility rentals – standard</i>	Rentals of equipment, buildings and park spaces for exclusive use for limited time periods by a private individual, group or for-profit entity. Involves onsite CCPR staff supervision.	\$45,706	\$52,695	36%	64%	Highly Individual Benefit	125% or > of direct costs
①	<i>Special event facility rentals – non-profits</i>	Rentals of equipment, buildings and park spaces for exclusive use for limited time periods by a non-profit entity conducting a special event that is open to the general public. Involves onsite CCPR staff supervision.	\$38,935	\$61,859	0%	103%	Individual/Community Benefit	100% or > of direct costs
①	<i>Campgrounds</i>	Rental for exclusive use for limited time periods of campground facilities by a private individual, group, non-profit or for profit. Involves CCPR staff supervision.	\$24,784	\$36,482	21%	79%	Highly Individual Benefit	125% or > of direct costs
①	<i>Stables</i>	Rental for exclusive use for limited time periods of stabling facilities by a private individual, group, non-profit or for profit. Involves CCPR staff supervision.	\$42,845	\$60,078	18%	82%	Highly Individual Benefit	125% or > of direct costs

CORE SERVICE CATEGORY	CORE SERVICE	DESCRIPTION	FY12 INDIRECT COSTS (FYI Only)	FY12 DIRECT COSTS	FY12 SUBSIDY	FY12 COST RECOVERY	PYRA-MID LEVEL	COST RECOVERY GOAL
	<i>Ramada Rentals</i>	Rental for exclusive use for limited time periods of picnic ramadas by a private individual, group, non-profit or for profit. May or may not involve CCPR staff supervision.	\$35,349	\$45,569	76%	24%	HIGHLY Individual Benefit	125% or > of direct costs
Outdoor Recreation								
	<i>Youth Programs</i>	Recreational, instructional, and educational programs for youth in the areas of outdoor recreation/fitness, nature education, arts and crafts and indoor recreation/fitness. These programs are geared towards all skill levels, take place over one or multiple sessions, and typically are progressive in their content. Programs are supervised by a CCPR instructor.	\$15,813	\$20,828	91%	9%	COMMUNITY/Individual Benefit	50% - 100% of direct costs
	<i>Adult Programs</i>	Recreational, instructional, and educational programs for adults in the areas of outdoor recreation/fitness, nature education, arts & crafts and indoor recreation/fitness. These programs are geared towards all skill levels, take place one or multiple sessions, and typically are progressive in their content. Programs are supervised by a CCPR instructor.	\$10,542	\$13,886	92%	8%	INDIVIDUAL/Community Benefit	100% or > of direct costs

CORE SERVICE CATEGORY	CORE SERVICE	DESCRIPTION	FY12 INDIRECT COSTS (FYI Only)	FY12 DIRECT COSTS	FY12 SUBSIDY	FY12 COST RECOVERY	PYRA-MID LEVEL	COST RECOVERY GOAL
①	<i>Senior Programs¹</i>	Recreational, instructional, and educational programs for adults in the areas of outdoor recreation/fitness, nature education, arts & crafts and indoor recreation/fitness. These programs are geared towards all skill levels, take place one or multiple sessions, and typically are progressive in their content. Programs are supervised by a CCPR instructor.	n/a	n/a	0%	0%	COMMUNITY/Individual Benefit	50% - 100% of direct costs
Special Events								
①	<i>Community Events - Ticketed²</i>	Multigenerational, annual events where a fee is charged to attend/participate. These are typically offered on a one-time or limited basis. Advanced registration may or may not be required. Special events are produced and supervised by CCPR staff.	n/a	n/a	0%	0%	INDIVIDUAL/Community Benefit	100% or > of direct costs
①	<i>Community Events – Drop-in</i>	Events which are free or low cost and have a community-wide appeal. Special events are produced and supervised by CCPR staff.	n/a	n/a	0%	0%	COMMUNITY Benefit	0 – 25%

¹ While certain programs will be designed for the senior demographic, staff recommends offering 'senior pricing' or a 'senior discount' throughout the Outdoor Recreation program.

² CCPR currently does not provide this type of event, but believes it is within the scope of core services it could provide.

CORE SERVICE CATEGORY	CORE SERVICE	DESCRIPTION	FY12 INDIRECT COSTS (FYI Only)	FY12 DIRECT COSTS	FY12 SUBSIDY	FY12 COST RECOVERY	PYRA-MID LEVEL	COST RECOVERY GOAL
	<i>County Fair</i> ³	A historical event with admission and of a community-wide appeal. Produced and managed by CCPR staff.	\$172,049	\$289,468	0%	130%	INDIVIDUAL/Community Benefit	100% or > of direct costs
Additional Services								
	<i>Public/Private Partnerships</i>	Exclusive use of space and facilities for ongoing periods by private individual, group or for-profit entities.	n/a for FY12	n/a for FY12	n/a for FY12	n/a for FY12	HIGHLY Individual Benefit	125% or > of direct costs
	<i>Concessions/Merchandise Sales</i>	The sale of products as an added service.	n/a	n/a	0%	0%	HIGHLY Individual Benefit	125% or > of direct costs

³ Revenue from the County Fair assists in financing department administrative costs.