







## **The Smart Approach to Financial Sustainability in Quality of Life Services – Commission Work session**

*An approach made possible by 110% Inc. an Amilia Company*

The Smart Approach to Financial Sustainability



# Introductions



- 1. WHY - Financial Sustainability in Quality of Life Services**
- 2. WHAT & HOW - The Smart Approach to Financial Sustainability**
- 3. Break**
- 4. The Meaning of Common Good and Individual Benefit - Group Discussion**
- 5. Break**
- 6. Beneficiary of Service - Exercise**
- 7. Final Thoughts, Comments, Questions**
- 8. Next Steps**

# **Agenda**



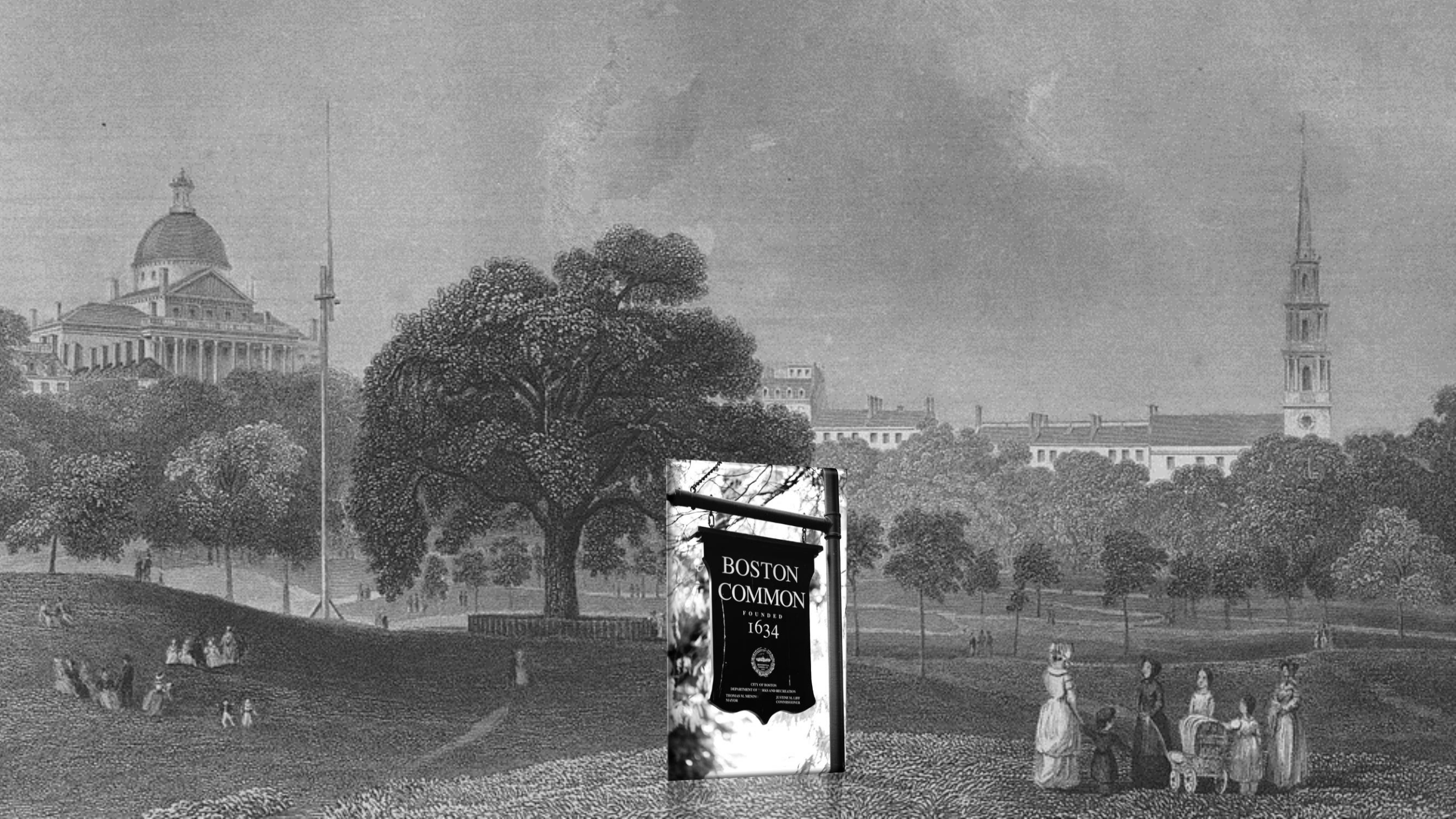
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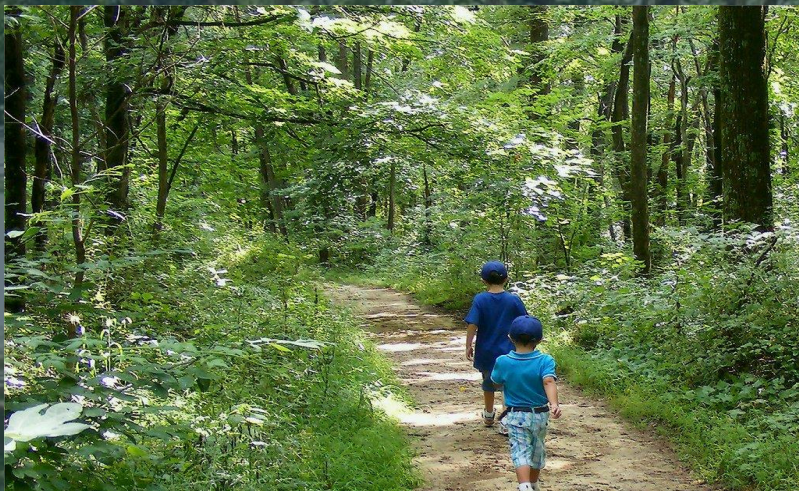
# Context













## The public sector's balance sheet

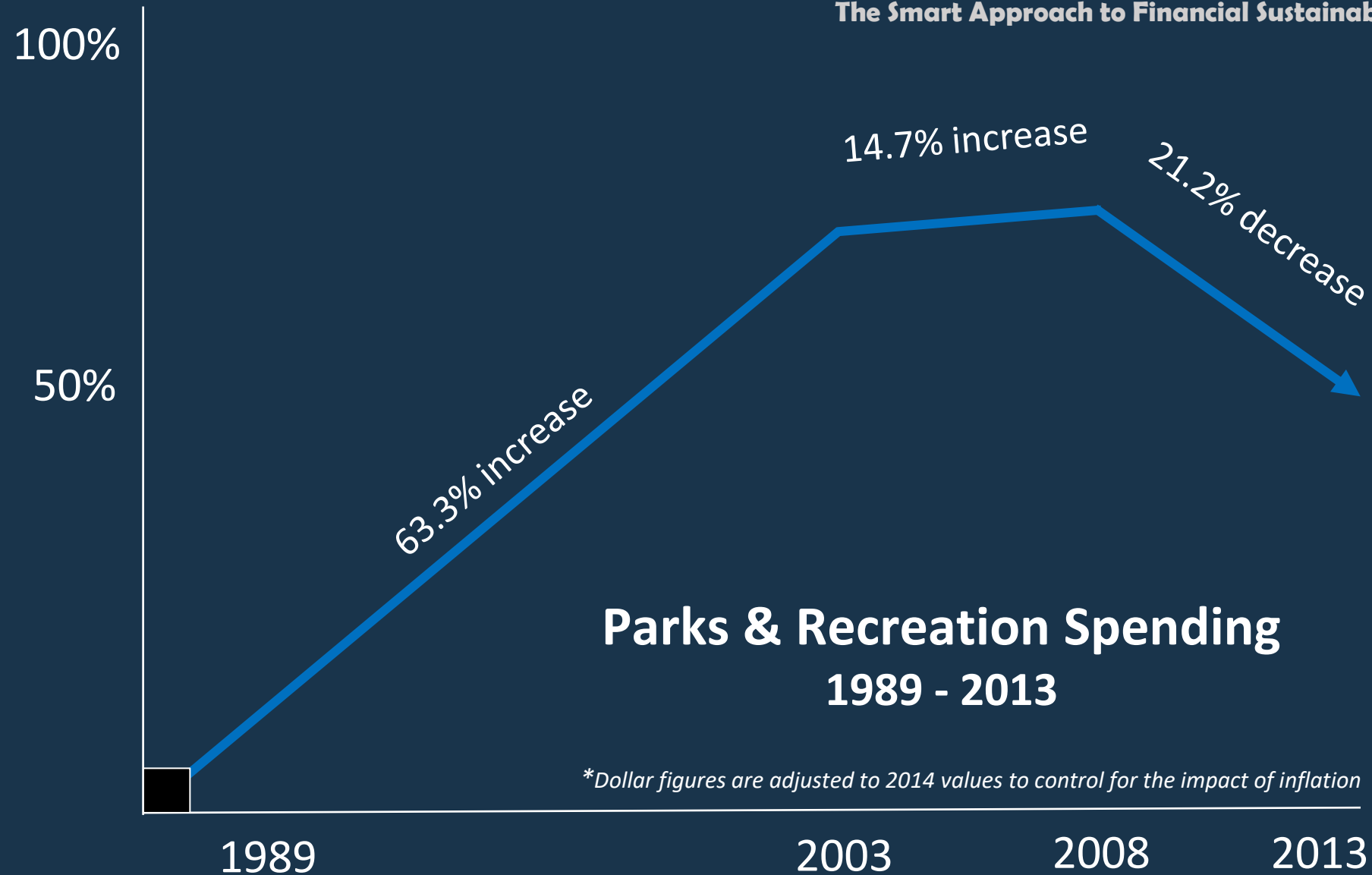




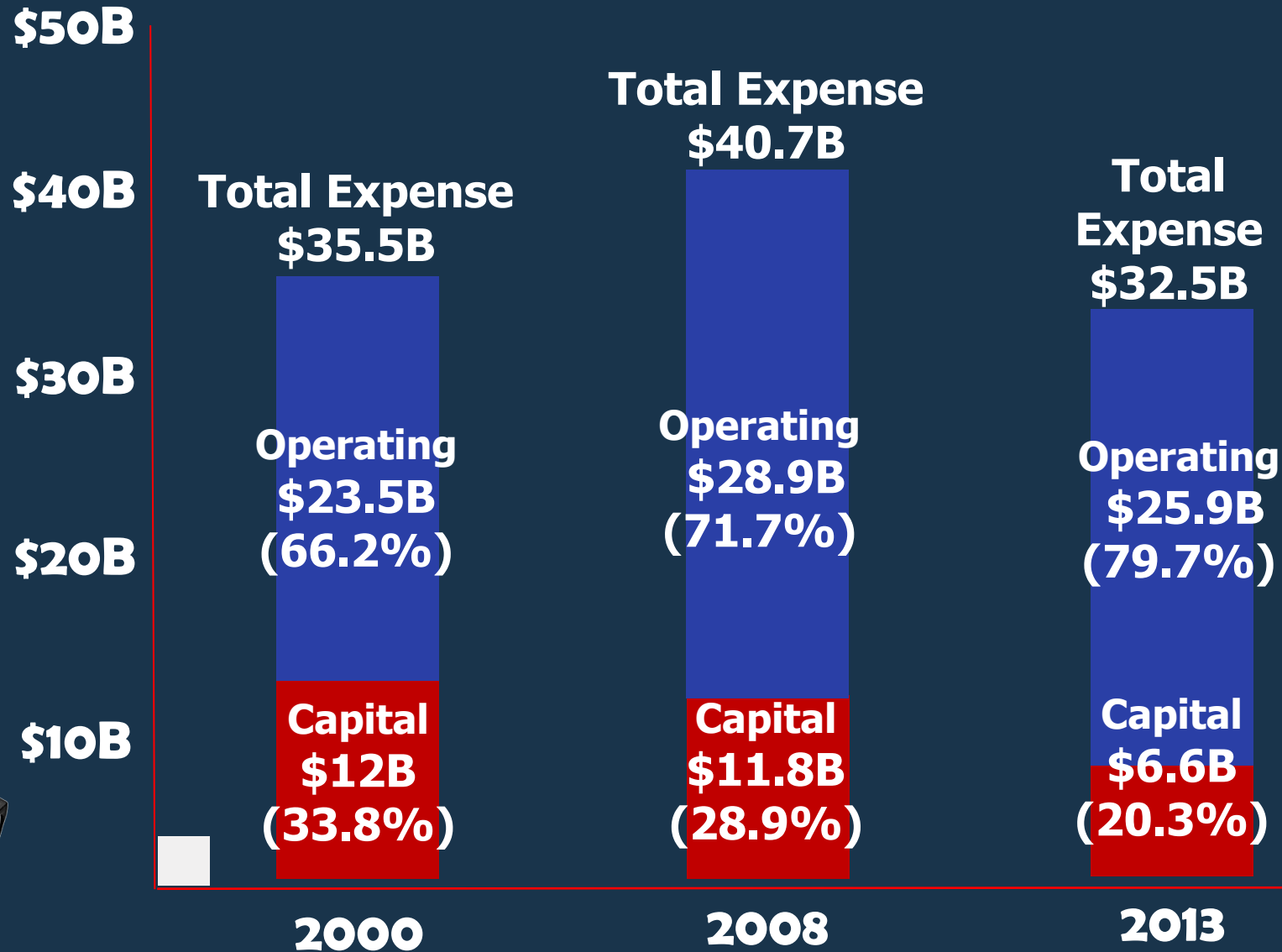
# The Great Recession's Profound Impact on Parks & Recreation

By: Nicholas Pitas, Ph.D., Austin Barrett, Ph.D.,  
Andrew Mowen, Ph.D.

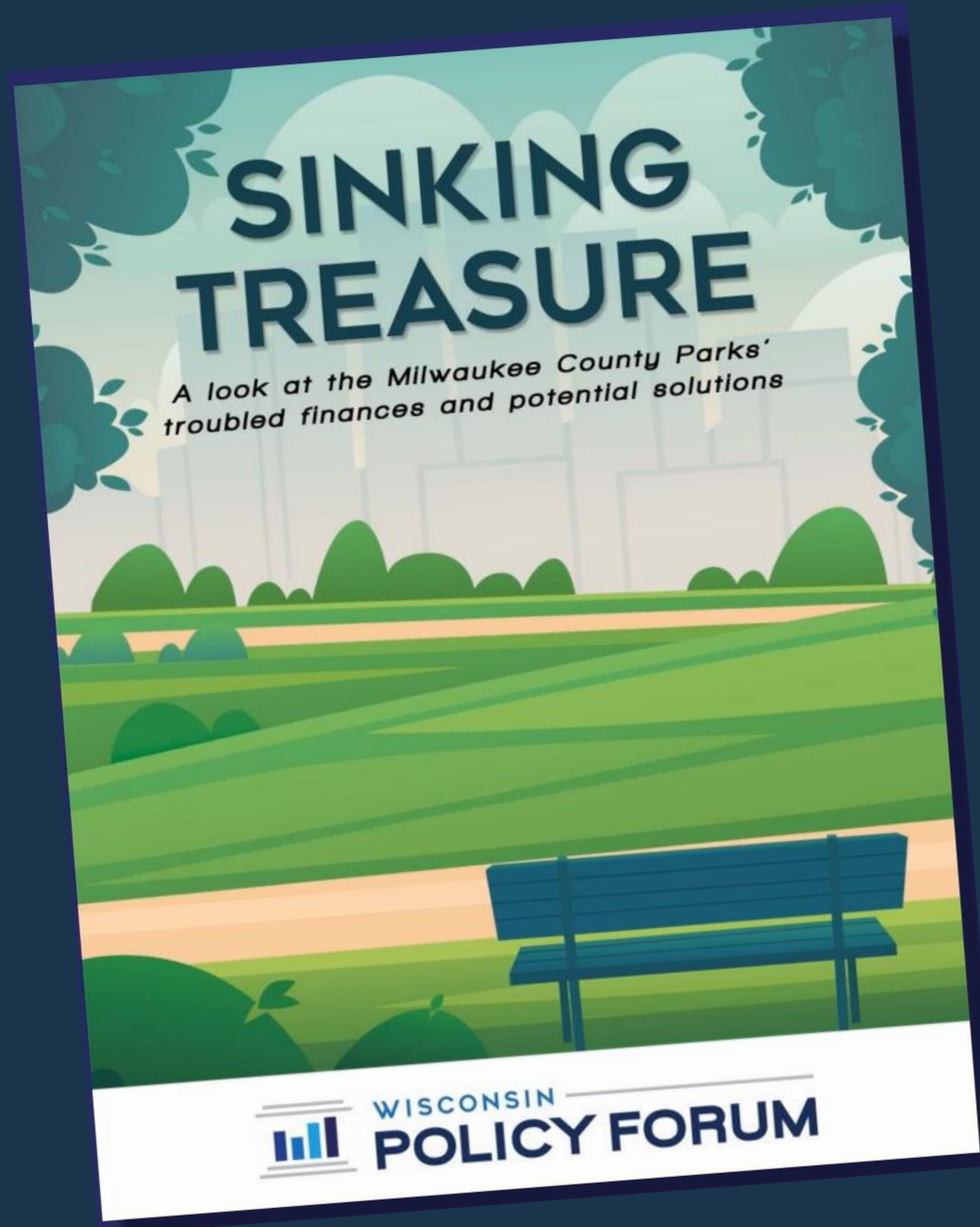








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MILWAUKEE COUNTY  
**PARKS**

**\$400M backlog**







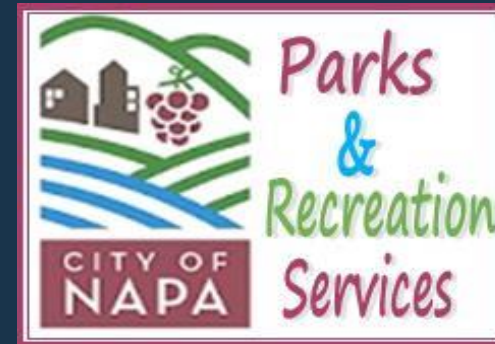
## **Taking Care of What We've Got: Important Maintenance in Austin's Parks**

📅 MAY 21, 2019

## **\$700M+ backlog**



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**\$90M+**  
backlog







**\$1B+ backlog**



## Pennsylvania State Parks Burdened by \$1billion Maintenance Backlog

Posted on December 17, 2019 by Steven Fletcher | 0 Comments



The *State of Local Government Survey* reveals that 68 percent of responding local governments see *moderate, significant, or major* financial adjustments being needed due to the ongoing coronavirus pandemic.

**BUDGET  
CUTS.**

January 4, 2021



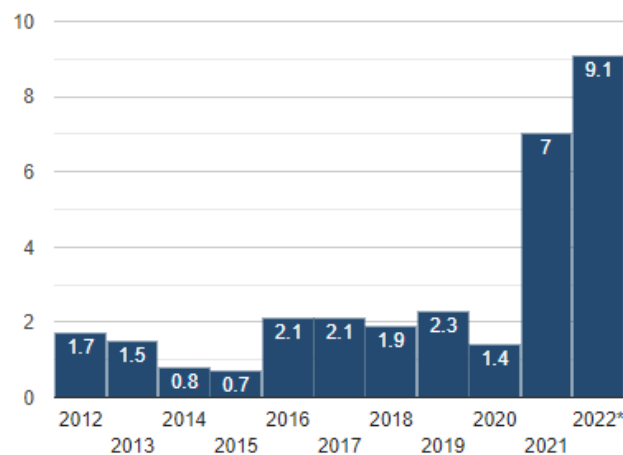


# Current US Inflation Rates: 2000-2022

The annual inflation rate for the United States is 9.1% for the 12 months ended June 2022, the largest annual increase since November 1981 and after rising 8.6% previously, according to U.S. Labor Department data published July 13. The next inflation update is scheduled for release on August 10 at 8:30 a.m. ET. It will offer the rate of inflation over the 12 months ended July 2022.

The chart and table below display **annual US inflation rates** for calendar years from 2000 and 2012 to 2022. (For prior years, see [historical inflation rates](#).) If you would like to calculate accumulated rates between two different dates, use the [US Inflation Calculator](#).

Chart: United States Annual Inflation Rates (2012 to 2022)



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## WSJ The Wall Street Journal. U.S. Inflation Eased Slightly in July

Gwynn Guilford - 6h ago

React 467 Comments | 570 Share Save

MARKETS TODAY

DJI News Bearish INX News Bearish CO... News Bearish

U.S. inflation eased slightly but remained close to a four-decade high in July despite cooling energy prices.

The Labor Department on Wednesday reported that the consumer-price index rose 8.5% in July from the same month a year ago, down from 9.1% in June. June marked the fastest pace of inflation since November 1981. The CPI measures what consumers pay for goods and services.



“We have remained fiscally healthy  
and plan to stay that way.”

*-Texas park and recreation director*







**Intersections of conditions which  
affect parks & recreation**



**Economic uncertainty**

**Public health crisis**

**Social unrest & chaos**

**Increasing disparities/needs**

**Lack of revenue diversification**

**Limited financial literacy**

**Maintenance backlogs**

**Uninformed constituencies**

**Unreasonable expectations**

**Staffing deficiencies**

**Struggling competitors/partners...**

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# Parks & Reconomics<sup>©</sup>

How we manage our finite resources.





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**Are you smart about  
managing money?**

# What is cost recovery?





## ***Cost recovery:***

recovering or offsetting the costs  
(expense) of delivering services.



# What is subsidy?



## ***Subsidy:***

a benefit given by the government; typically to remove some type of burden, and often considered to be in the overall interest of the public; given to promote a social good or an economic policy.





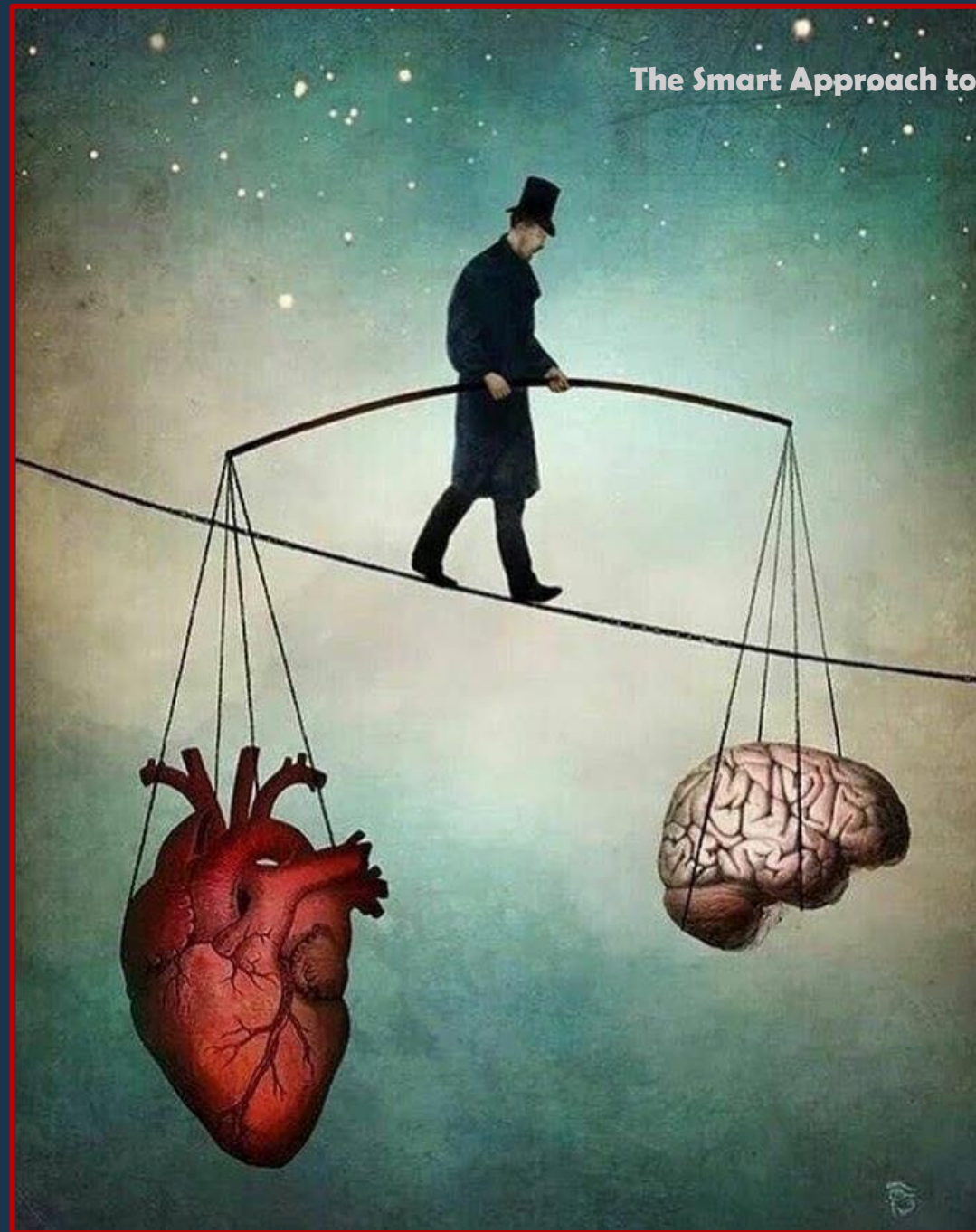
**REALITY**



**POLICY**



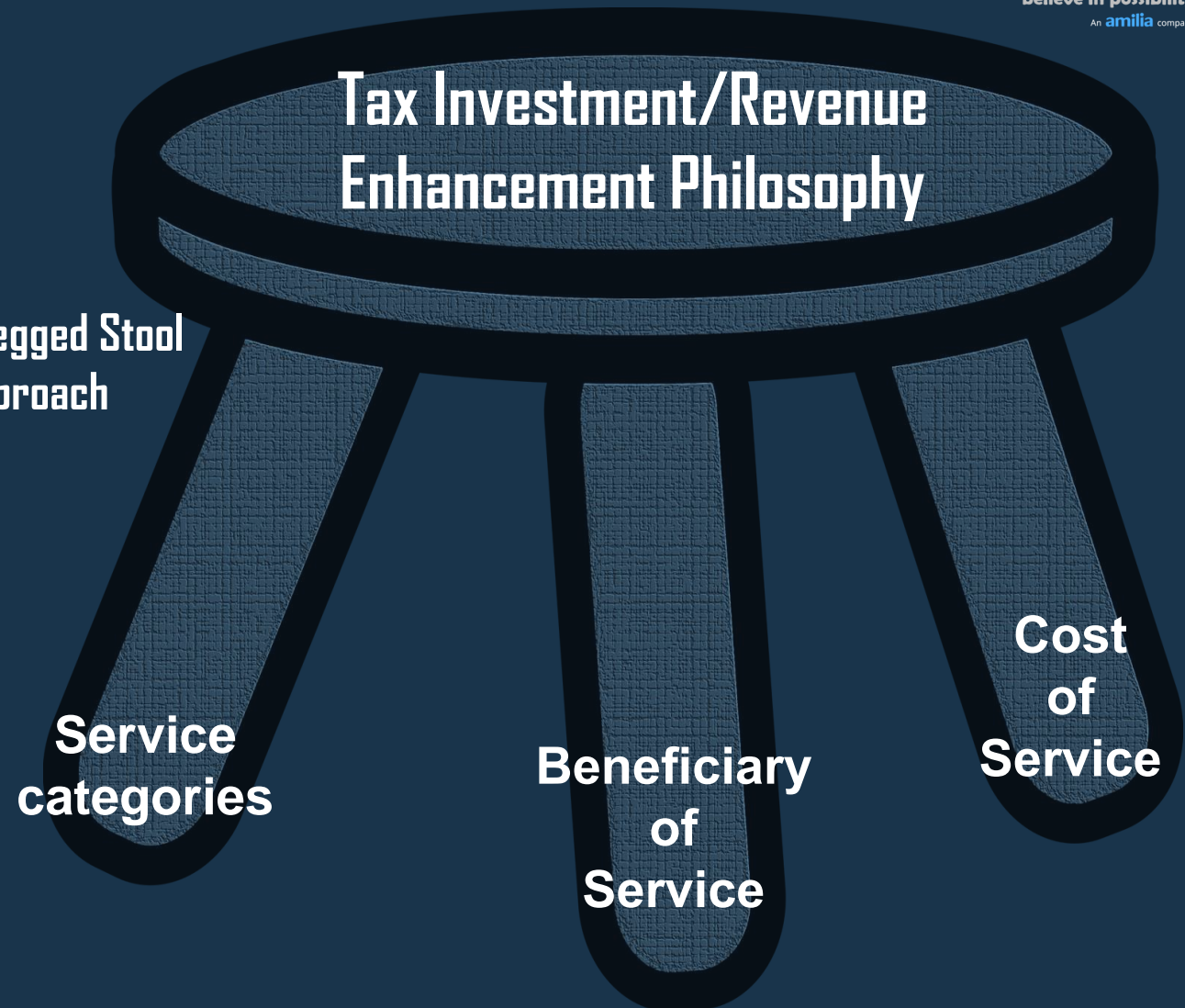
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**A path towards  
financial discipline  
STARTS HERE**

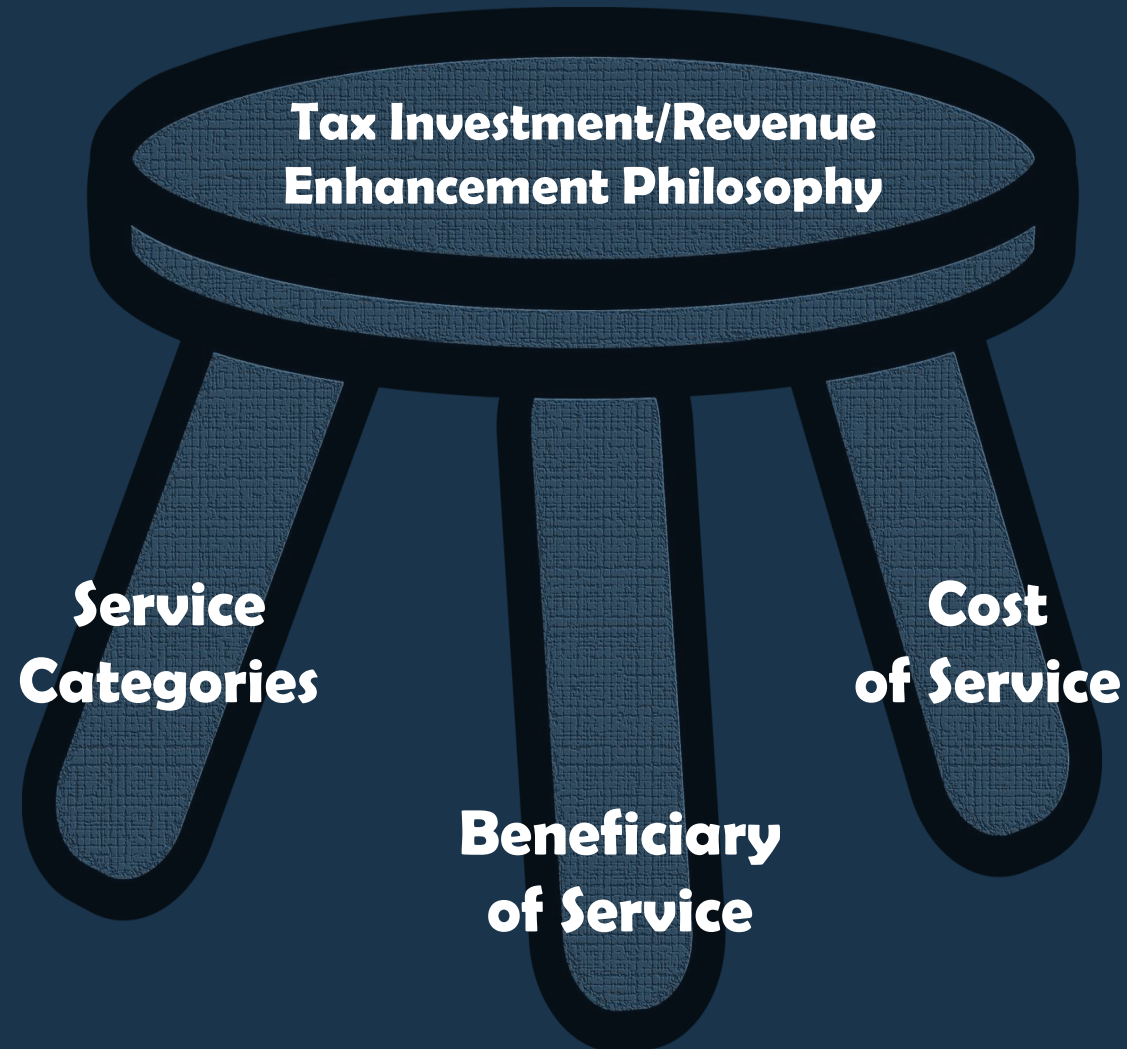


The 3-legged Stool  
Approach





# The 3-legged Stool



# The 3-legged Stool

**Tax Investment/Revenue  
Enhancement Philosophy**

**Service  
Categories**



# What is a park, recreation or library service?



Activities, courses, classes,  
events, rentals, and other  
types of leisure  
experiences.





# What is a park, recreation and library service area?



Where “likeness” of service  
is the principal consideration  
in the coordination of  
various services.





# What is a park, recreation and library service category?



Where “like purpose” is the principal consideration in the categorization of services.



# Why Service Categories?



## ADVANTAGES

Eliminates arbitrary cost recovery goals by individual activity or service.

Discourages attempts to make cost recovery decisions based upon special interests or social values.





## Youth Sports

(t-ball)

**Cost recovery  
goal = 50%?**



**Vs.**

## Aquatics

(learn to swim)

**Cost recovery  
goal = 25%?**



**Vs.**

## Dance

(Intro to ballet)

**Cost recovery  
goal = 75%?**



**Service Category:**

# **Beginner Level Activities**

**Similar purpose = Same CR goal**

**Cost recovery goal = 75%**



**Cost recovery goal = 75%**

&



&

**Cost recovery goal = 75%**





## Parks, Recreation & Library SERVICE CATEGORIES

**Beginner Level Activities** include classes and other led and/or instructed activities in which the primary intent is to acquire or learn a skill. Examples include:

- Tissue Paper Painting
- Pure Joy Basketball Camp
- Cartoon Drawing
- Line Dancing

**Collaborative Community Events** are designed to heighten community awareness of cultures and cause related issues and interests. These events are provided in collaboration with community-based organizations. Examples include:

- Cinco de Mayo Celebration
- Juneteenth
- Day of the Child
- Relay for Life

**Community Health & Wellbeing** services provide for the prevention and remediation of life challenges as well as providing inclusionary access to target audiences. They are designed to assist community members in maintaining their independence and provide resources and referrals to those seeking equitable services. Examples include:

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- Balance & Flexibility Classes

**Education/Enrichment Services** includes classes, clinics, workshops, and other led/or supervised activities in which the primary intent is to provide life skills development with a focus on education and lifelong learning. Examples include:

- Maker Exchange Lessons & Workshops
- Play Café
- Kids Club After School Program
- Preppy K & Kinder Korner
- On the Go Services Mobile Library Service

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- Theater Rentals
- Community Group Concessions Operations

**Signature Events** are large-scale events that appeal to a broad portion of the community regardless of age, ability/skill, family composition, etc. and designed to create a sense of community among the broader Corona community. These events are highly intensive to plan and typically occur on an annual basis. Examples include:

- Night Markets
- July 4<sup>th</sup> Celebration
- Summer Concert Series
- Holiday Lighting

**Special Events** are designed for a target market, market niche, or a special recreational/leisure interest. Examples include:

- Lobsterfest
- Halloween

**Specialized Business Services** include the sale of resources and goods. Examples include:

- Passport Services
- Notary Public
- Vending



# The 3-legged Stool

**Tax Investment/Revenue  
Enhancement Philosophy**

**Beneficiary  
of  
Service**



Service Area:

# Aquatics

Cost recovery goal = 50%

Learn to Swim  
Cost recovery goal  
= 50%?



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Masters Swim  
Cost recovery goal  
= 50%?



&

Service Area:

# Aquatics

**Cost recovery goal = 50%**

Service Category:  
**Beginner Level  
Activities**

**Cost recovery goal = 75%**



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Service Category:  
**Competitive Level  
Activities**

**Cost recovery goal = 100%**



&



**Common Good** —————→ **Individual Benefit**



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# BREAK



# common good

[ˈkämən ɡʊd]

essential, community-wide interests, far-reaching impact, universal value, access for all

---

**How would you define  
“common good” for Corona?**





# individual benefit

[ɪndəˈvɪj(oʊ)əl]

discretionary, self-interest, limited impact,  
exclusive, access for some

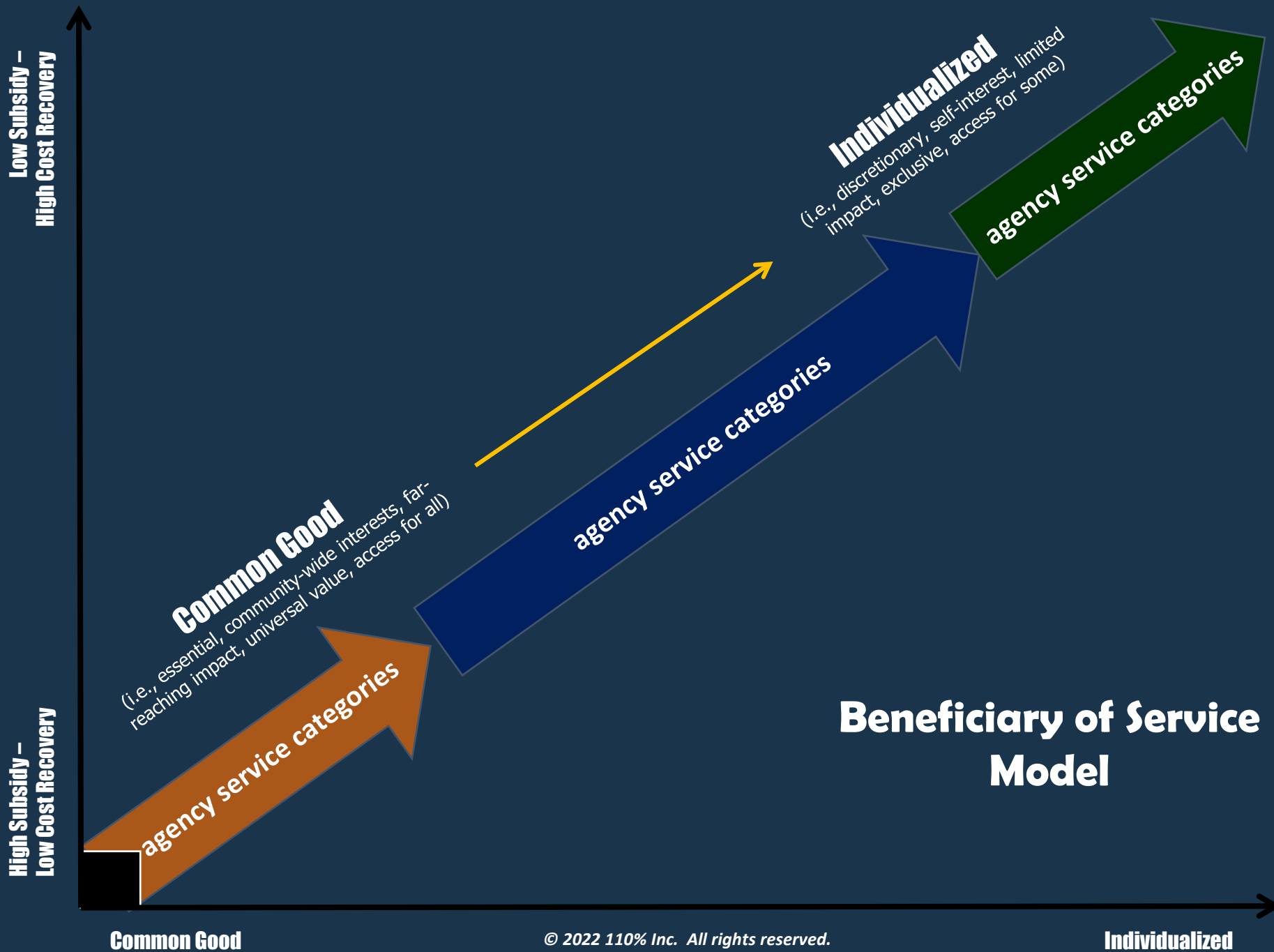
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**How would you define  
“individual benefit” for Corona?**





# Financial Sustainability Continuum



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**BREAK**





# The 3-legged Stool





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# Understanding Cost of Service





*Direct costs* can be traced directly to the provision of a service. This cost would not be incurred if the service ceased.

**DIRECT COST?**



*Indirect costs* are incurred with or without the provision of a service. These costs are not traceable to a service, benefit the system as a whole and do not benefit any one single service.

**INDIRECT COST?**



# Ice Cream Shop

## Sell one thing – ice cream cones

- 50,000 ice cream cones sold

## Direct Costs

- Ice cream, cones, napkins
- Costs = \$50,000 (\$1/cone)

## Indirect Costs

- Utilities, management, landscaping, equipment
- Costs = \$100,000 last year

## Calculate cost of service

- Cost of service = \$150,000
- To cover all costs, they need to sell cones for \$3/each (100% cost recovery).



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# Chain of Shops

## Multiple locations

- Varying revenue by store
- Varying costs by store

## Some shared resources between locations

- Senior Managers
- Finance
- HR
- Landscaping contract
- etc.

Cost of service at separate location becomes a bit more challenging to calculate



# Quality of Life Services

Hundreds or thousands of services offered

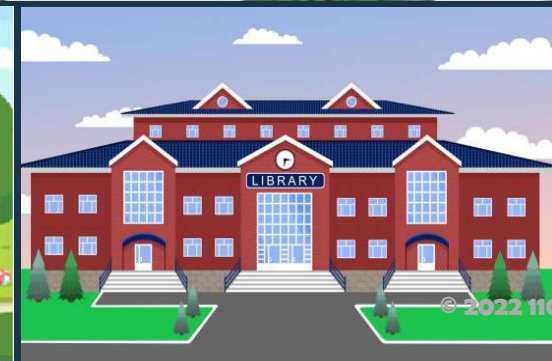
Many unique direct costs for each service

Globally shared costs/resources across the system (indirect costs)


- Senior Managers, Finance, HR, Landscaping, etc.

Location based shared costs/resources

- Facility maintenance, Utilities, Custodial, Front desk staff, etc.







**Napa Parks & Rec Cost Recovery 2019**

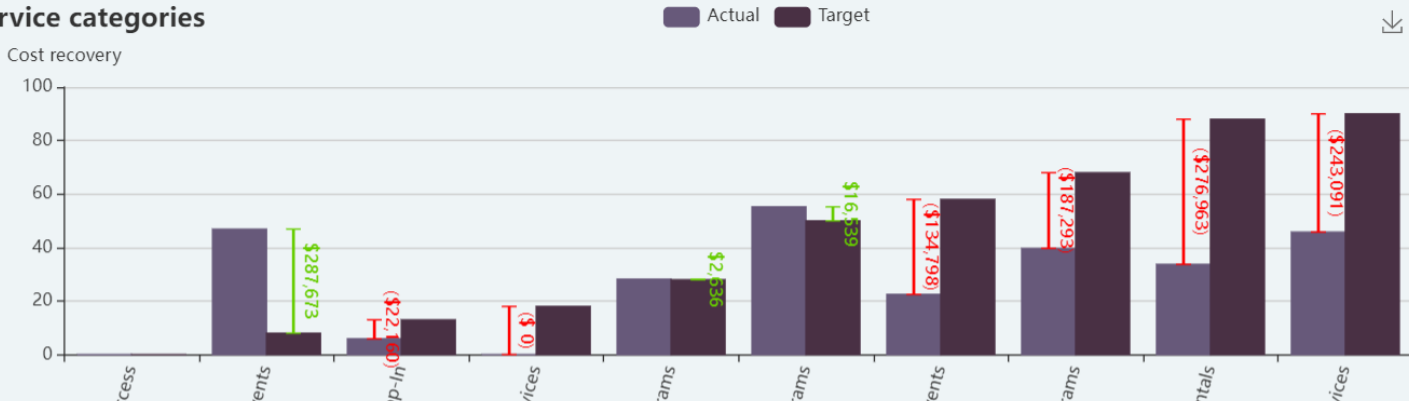
- Home
- Account
- Clients
- Store
- Activities
- Memberships
- Discounts and fees
- Facilities
- Staff
- Reports
- Accounting and finance
- % Cost recovery**

Cost recovery

Service	Service category	Revenue discrepancy	Current fee	Minimum participants	Current cost per participant	Target cost per participant	Suggested price
4. Napa Valley Girls Fastpitch - Kiwanis Softball Park	Rentals	\$(31,573)	\$2	21038	\$17	\$2	\$15
5. CANV - Lunch Program	Human Services	\$(25,236)	\$ 0	0	\$2,804	\$ 0	\$505

Next 5 >

**Service categories**



Cost recovery

Legend: Actual (light purple), Target (dark purple)

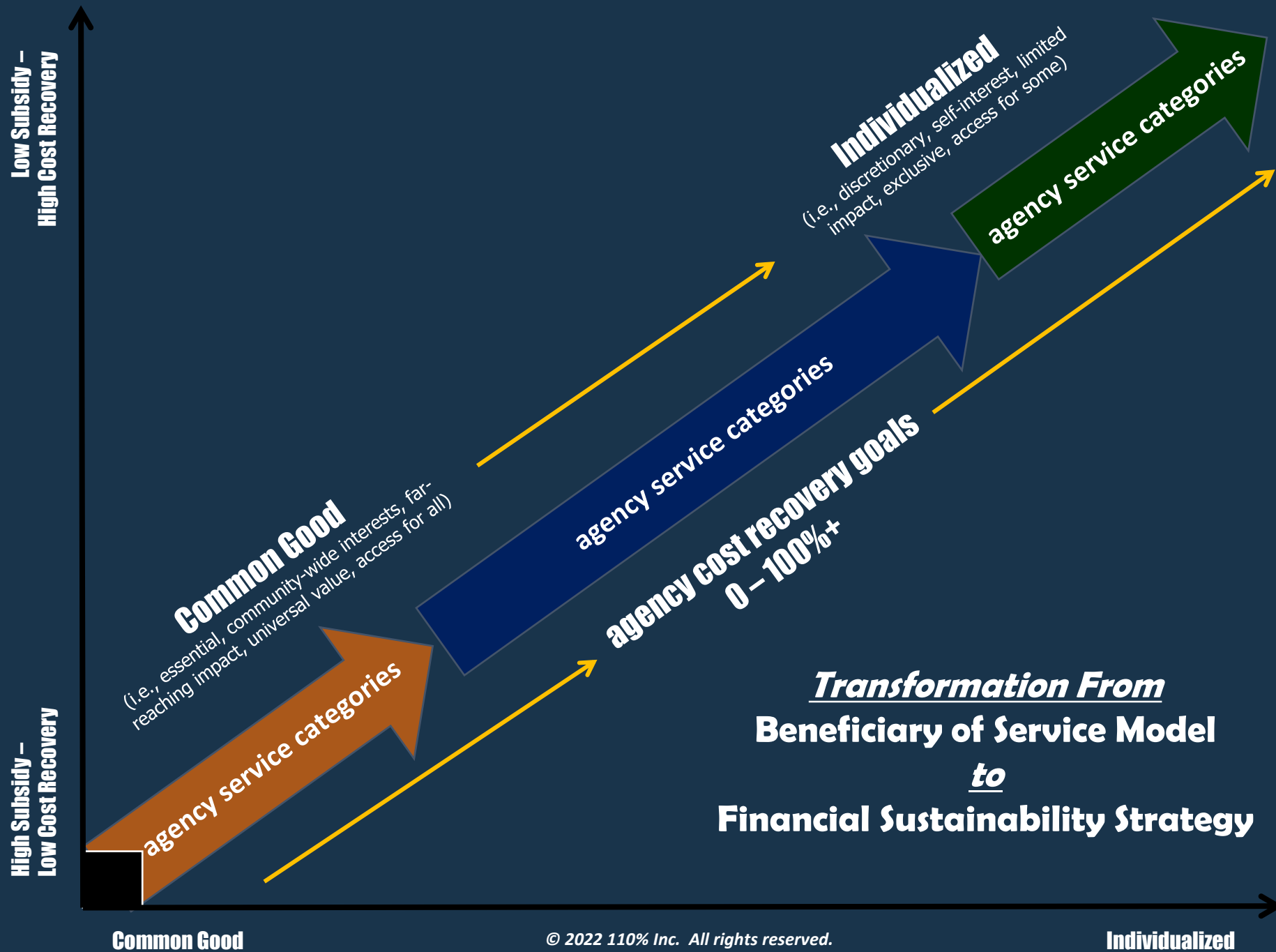
Service Category	Actual	Target	Discrepancy
Access	0	0	0
Rentals	45	10	\$287,673
Human Services	10	15	(\$22,160)
Facilities	15	15	(\$0)
Programs	25	25	\$2,536
Facilities	55	50	\$16,539
Rentals	20	55	(\$134,798)
Programs	40	65	(\$187,293)
Rentals	35	85	(\$276,963)
Facilities	45	85	(\$243,091)

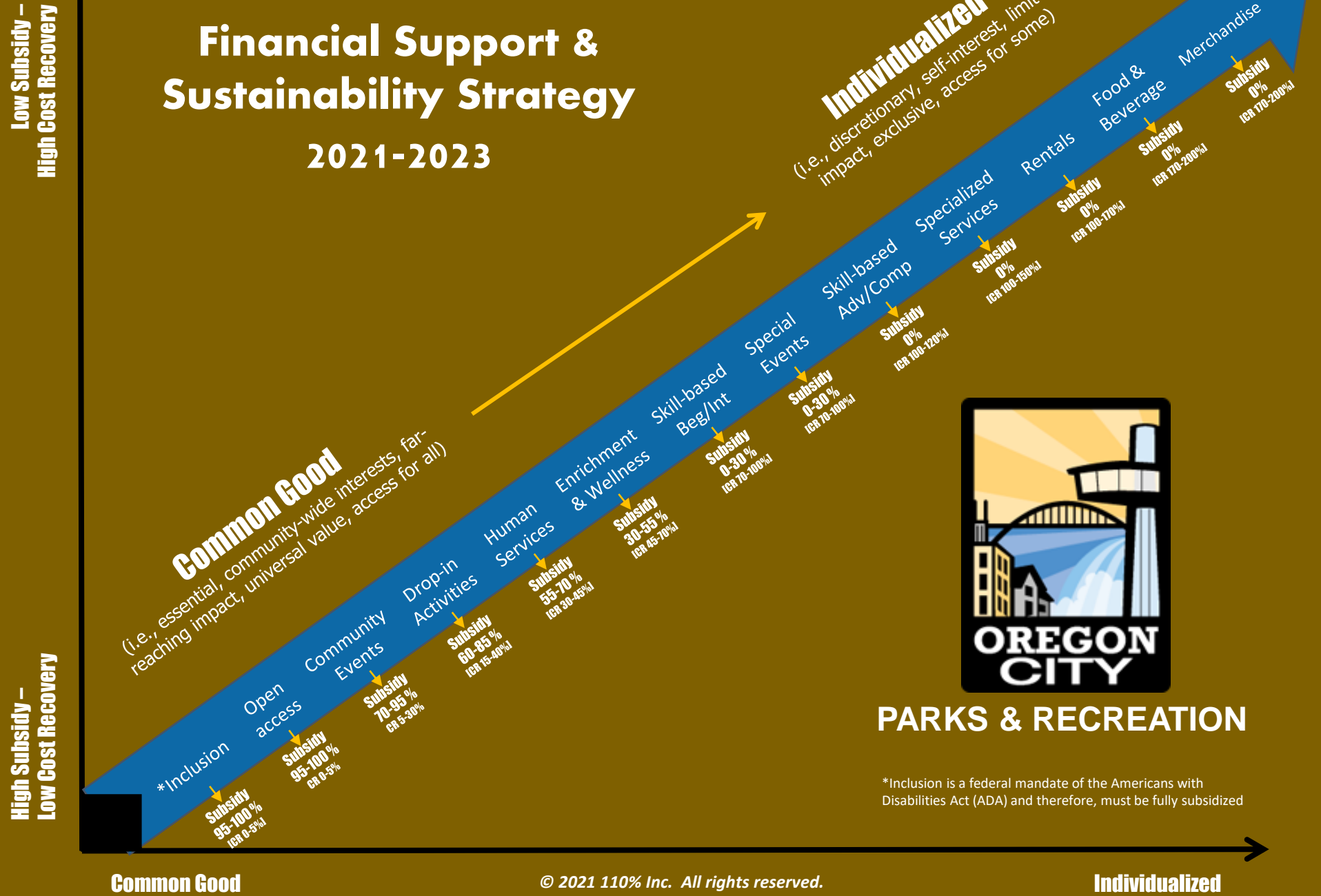






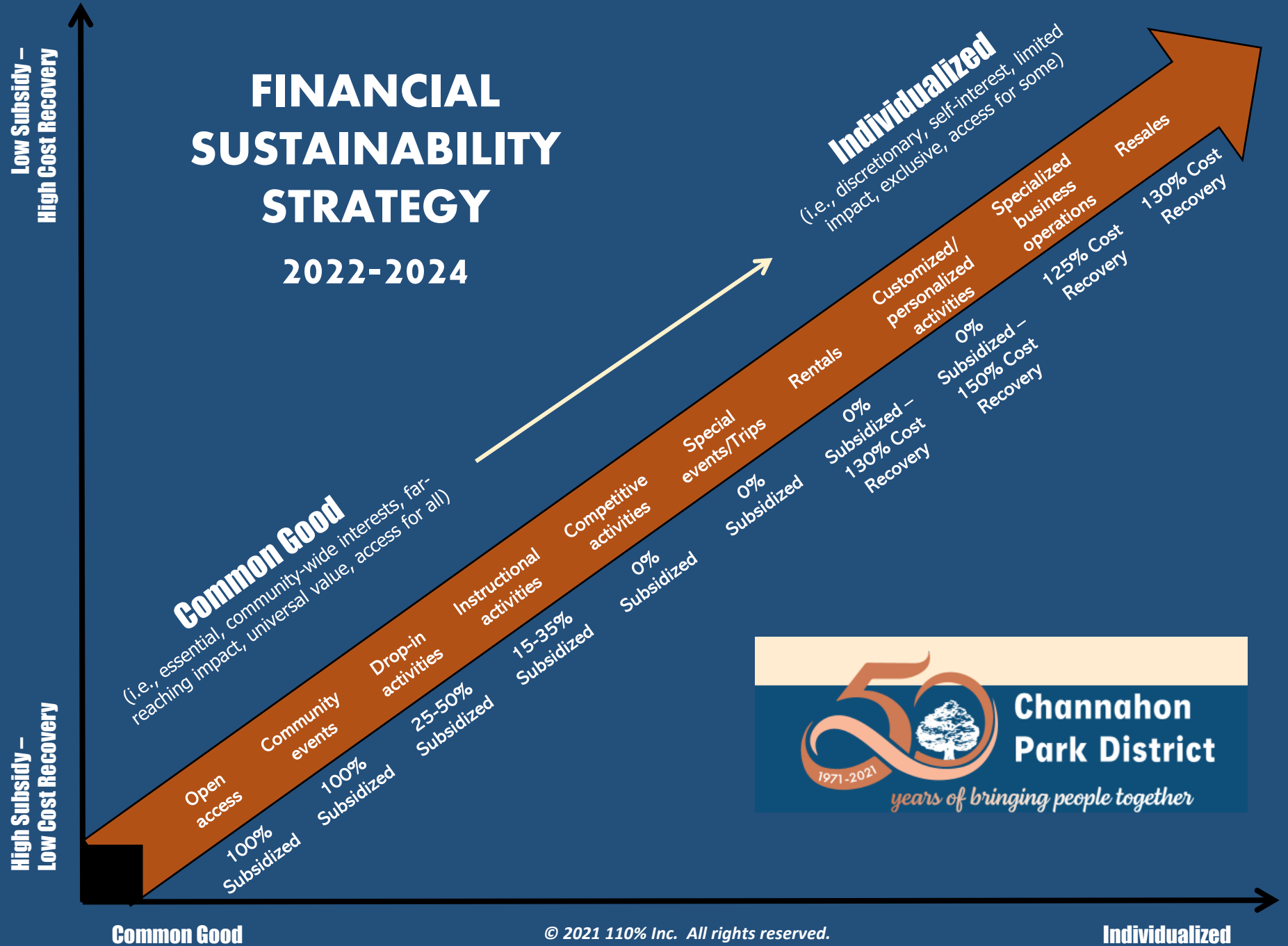
# Financial Sustainability Continuum







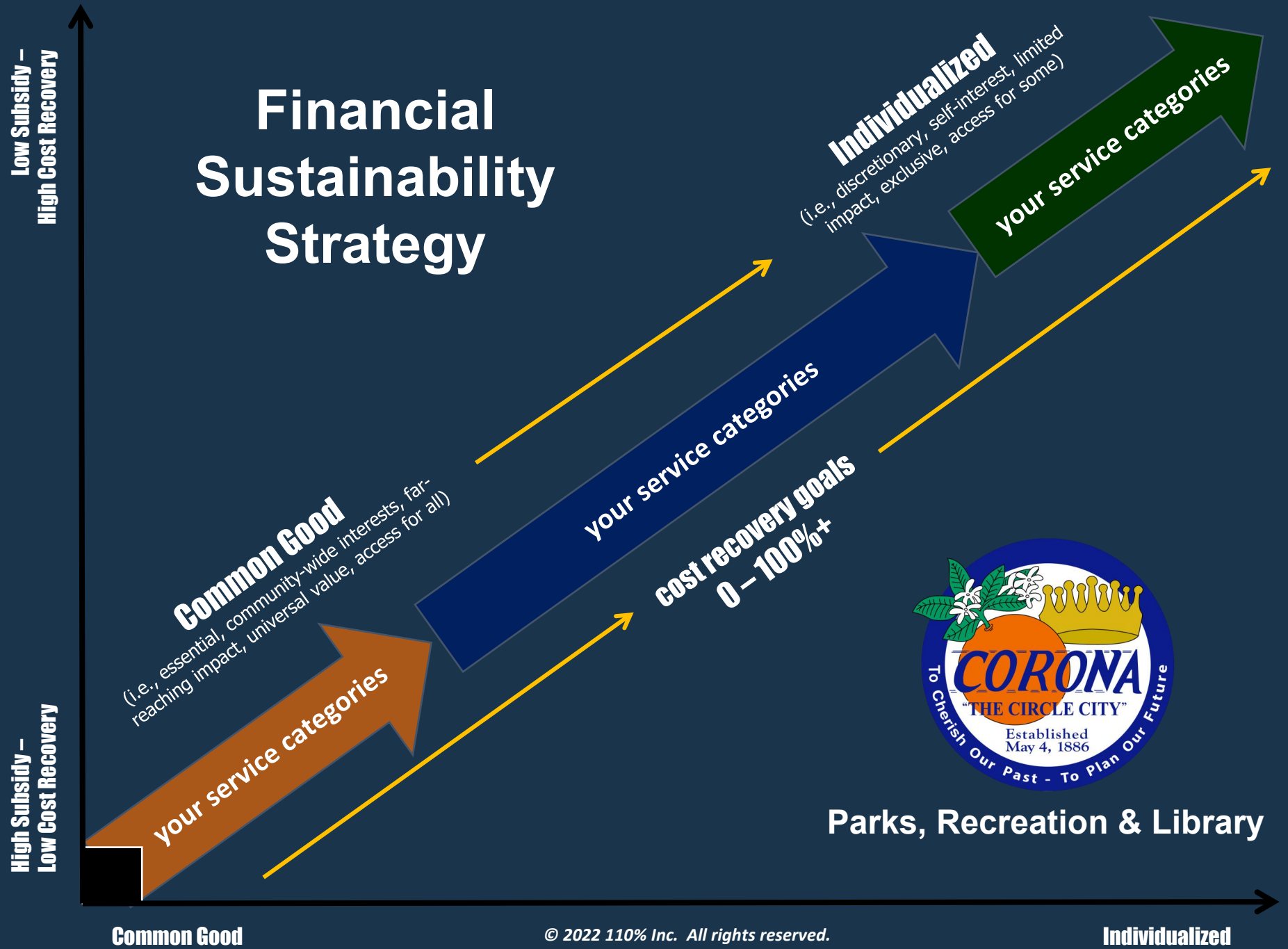
# Financial Sustainability Continuum







# Financial Sustainability Continuum



Parks, Recreation & Library

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**BREAK**



# Beneficiary of Service Exercise





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## BENEFICIARY OF SERVICE

A financial resource allocation philosophy provides a foundation for differentiating services based on “who benefits” and “who should pay”.

Economists have differentiated goods and services in the economy in this manner for decades.

Determining the “beneficiary of services” becomes a primary driver in how public parks and recreation organizations can begin to make informed and defensible taxpayer investment decisions. Following this concept, each of the organization’s service categories have a set of specific characteristics that provide a rationale for who should pay (e.g., taxpayers, the individual, or both) and to what degree. Ultimately, this aligns how an organization will choose to spend taxpayer dollars with the “beneficiary of service”.



**Common Good:** These services are accessible, of benefit to all in a community, and provide universal value. Essentially, these are services that contribute to the “common good” and can be characterized as essential (“must-haves”) having community-wide interest and far-reaching impacts.

**Individualized:** These services provide exclusive benefit to the individual(s) and can include constraints or barriers to access. Essentially, these services benefit the individual more than the community as a whole and can be characterized as discretionary (“nice to haves”) with less of a community-wide impact.

Please rank the Department’s Service Categories starting from the category that aligns most with the “Common Good” (#1) to the category that most provides for an “Individualized” benefit (#11). During this exercise, avoid any discussion involving funding, fees, etc. *Focus ONLY on beneficiary of service.*

- |          |           |
|----------|-----------|
| 1. _____ | 7. _____  |
| 2. _____ | 8. _____  |
| 3. _____ | 9. _____  |
| 4. _____ | 10. _____ |
| 5. _____ | 11. _____ |
| 6. _____ |           |

NOTES:



## BENEFICIARY OF SERVICE – glossary of relevant terms

### Accessible services

Park and recreation services that can be easily reached or used by anyone who resides in a community (district, city, etc.). These services have no/few constraints or barriers to access.

### Barriers/constraints to access

Constraints to full access can include: age, ability/skill, mobility, senses, gender, language, culture (race/ethnicity), family composition, geography, transportation, technology, socio-economic conditions, etc. which can inhibit, limit and/or prevent full access, interest, and opportunity.

### Community need

Discrepancies between a present state or condition and a desired state. These discrepancies inflict undue hardship on member(s) of a community. These discrepancies and inequities include but are not limited to poverty, poor health indicators, unemployment, educational attainment, etc.

### Community interests/wants

Desires for something outside the scope of “need”. The wants, demands, and expectations of an individual or group often come on behalf of those interested in a particular service and may not be focused on a broader community need and impact.

### Discretionary services

Park and recreation services that are non-essential. These discretionary services are luxuries and/or can be classified as lifestyle choices and “wants” or “nice to haves”. Discretionary services are in contrast to essential services which respond to deficiency “needs”.

### Essential services

Park and recreation services that are absolutely necessary to community quality of life. These services are critical to preserving life, health, and basic social function and if interrupted, would endanger life, personal safety, and/or the physical and mental health of our community. Essential services are considered “must haves”.

Take **15**





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# Take

with your colleagues

# 20







1. Share your ranking with one another
2. Why did you make the placement decisions you did?
3. After hearing other perspectives, would you change any of your rankings?



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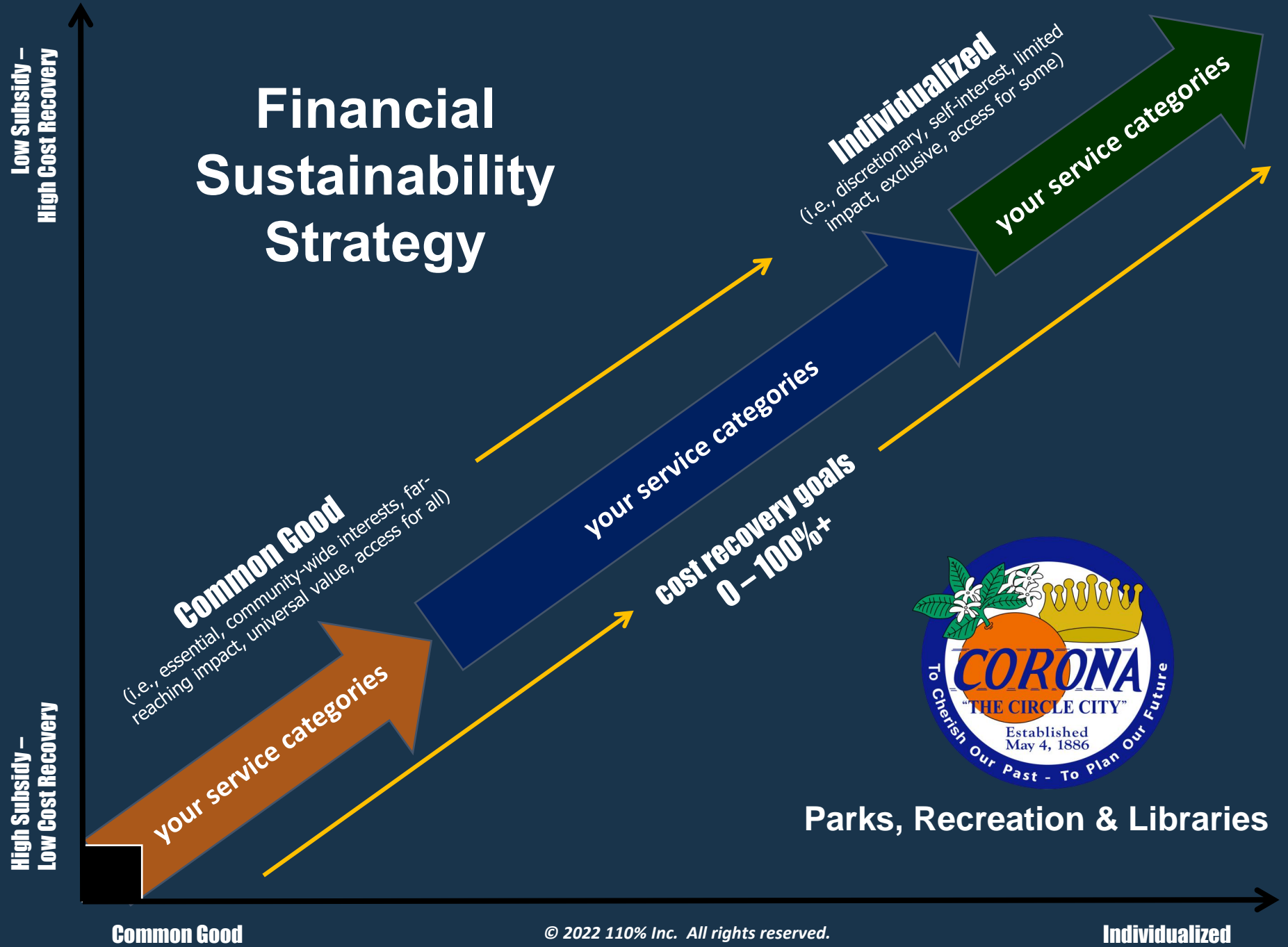


# Thoughts? Insights?





# Financial Sustainability Continuum



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What's  
Next?

- Schedule a staff Beneficiary of Service work session
- Synthesize the results of commission and staff results
- Design the Department's Beneficiary of Service Model drafts
- Cost of service work continues





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