

City of Walnut Creek
Arts, Recreation & Community Services
Cost Recovery Summary - 2012-13 Budgeted

Division	Program ¹	Cost Recovery		Service Units		Per Unit Indicators	
		Division Only	Total (with City Svcs)	Annual #	Unit	Average Cost	Average
						Total	Revenue
350 Sports & Camps	Adult Sports	66%	54%	235	Registrations	\$1,251	\$679
	After School Sports	64%	53%	427	Registrations	\$505	\$267
	Gym Rental	139%	114%	10,486	Rental Hours	\$49	\$55
	Field Rental (Includes field maintenance) ¹	30%	30%	24,503	Rental Hours	\$26	\$8
	Summer Camps	95%	78%	1,182	Registrations	\$258	\$202
Total		75%	66%				
351 Aquatics	Aquatics Instruction	75%	69%	3,607	Registrations	\$64	\$44
	Recreation & Fitness Swimming	55%	46%	64,204	Registrations	\$9	\$4
	Pool Rentals	37%	29%	5,058	Rental Hours	\$106	\$31
	Special Events (Park Rentals) ²	32%	28%	36	Events	\$1,491	\$417
	Large Community Events (Park Rentals) ²	206%	159%	3	Events	\$5,576	\$8,867
Total		53%	44%				
352 Facility Rentals	Indoor & Outdoor Rentals	86%	73%	9,194	Rental Hours	\$72	\$52
	Total	86%	73%				
353 Rec Classes	Recreation Classes	71%	58%	4,734	Registrations	\$201	\$116
	Tennis Program	98%	80%	1	Contracts	\$52,319	\$42,000
	Total	72%	59%				
354 Social Services	Senior Classes	25%	23%	1,030	Registrations	\$182	\$41
	Senior Meals & Transportation	48%	45%	11,280	Registrations	\$8	\$4
	Social Services & Drop-In Activities	0%	0%	13,950	Registrations	\$14	\$0
	Specialized Recreation	41%	38%	649	Registrations	\$292	\$112
Total		26%	24%				
621 Civic Arts Ed	Visual Arts Programs	52%	42%	5,204	Registrations	\$252	\$107
	Performing Arts Programs	87%	67%	2,100	Registrations	\$303	\$203
	Preschool Programs	116%	107%	318	Registrations	\$2,007	\$2,146
	Total	78%	64%				
631 Leshner Center	Performing Arts Theatre Rental	91%	76%	687	Events	\$5,367	\$4,075
	Total	91%	76%				
641 Center REP	Center REP Productions	84%	65%	47,602	Tickets Sold	\$54	\$35
	Young REP Theatre Education Program	107%	86%	110	Registrations	\$945	\$811
	Total	85%	66%				
642 Municipal Events	Community Concerts (ParKoncerts)	0%	0%	2,850	Registrations	\$11	\$0
	Family Theatre Festival	107%	82%	7,100	Registrations	\$17	\$14
	Total	84%	65%				
651 Bedford Gallery	Visual Arts Program Exhibitions	31%	25%	29,309	Visitors	\$22	\$6
	Total	31%	25%				
Grand Total		75%	62%				

NOTES:

- Field Rentals is the only program listed that includes maintenance expenses that are budgeted in Public Services. All other division and ARCS department costs and revenues are budgeted in ARCS. Field rental division costs shown here include the cost of maintenance for the 14 playfields rented by the Sports & Camps-Field Rental program.
- Park maintenance expenses associated with Special and/or Large Community Events are not included.

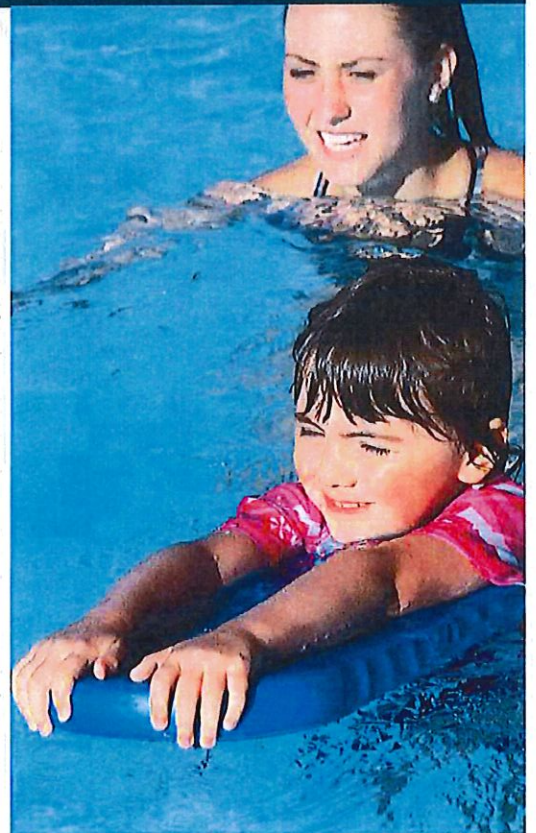
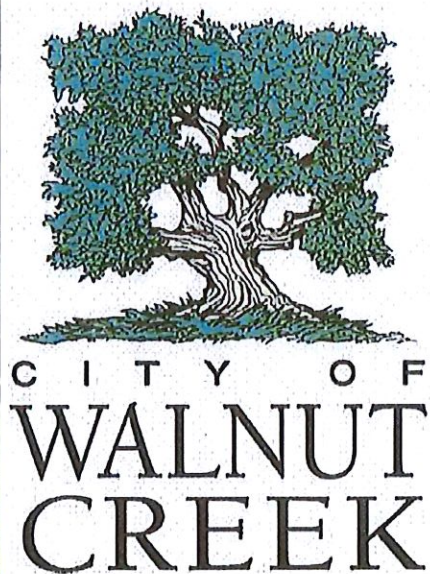
Prepared: February 11, 2014



Cost Recovery and Pricing Plan

Draft Executive Summary

March 2014



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CHAPTER ONE - EXECUTIVE SUMMARY

1.1 INTRODUCTION

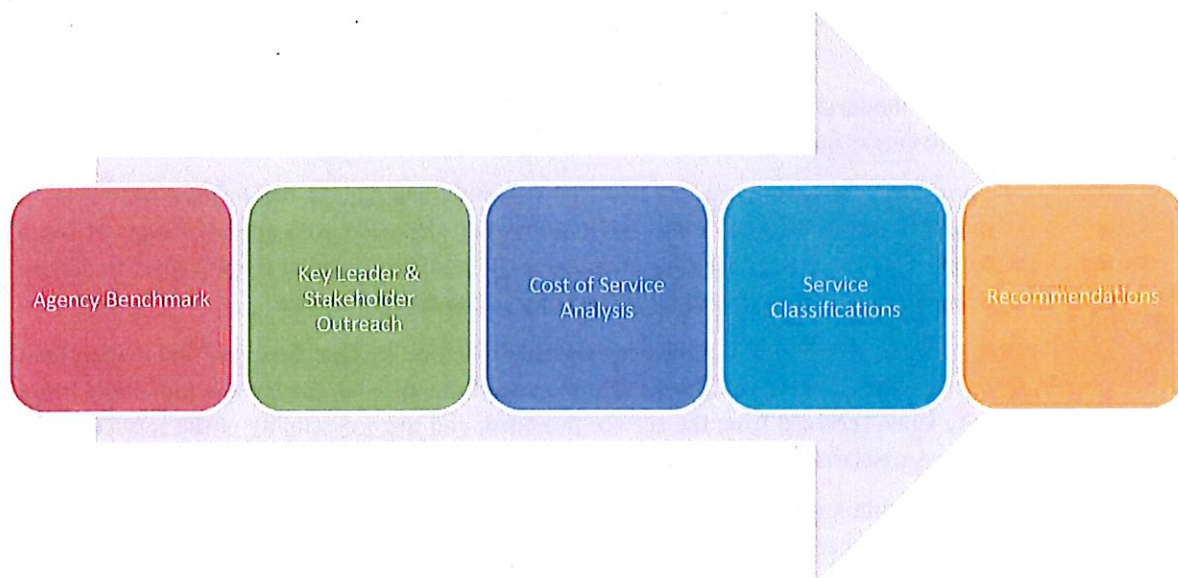
In early 2013, Walnut Creek Arts, Recreation and Community Services Department ("ARCS") initiated a cost recovery planning process and cost efficiency study. The City has an existing cost recovery policy and the plan sought to update that and institute consistent processes to determine appropriate price points, and establish a rational mechanism to classify offerings based on community versus individual benefits as well as level of exclusivity.

In light of the comparable programming offered by the Public Services Department's Open Space Division, similar work for cost of service and program classification for Open Space was added to the scope of services for the Cost Recovery and Pricing Plan ("plan"). The study excluded Boundary Oak Golf Course which is owned by the City of Walnut Creek and operated by a contractor under an enterprise fund structure.

The goal of this plan is not to become a procedural manual or provide recommendations set in stone but rather to serve as a philosophical guide to help the staff develop its own procedures associated with cost recovery and pricing. This will serve as a framework for how the pricing policy will continue to evolve in the future. The alternative pricing strategies and revenue generation resources are suggestions based on successful examples in other systems which are offered for Walnut Creek to consider.

PROS Consulting, a managing consulting firm located in Indianapolis, IN, which specializes in the parks and recreation industry has partnered with ARCS and the Open Space Division in this planning process which included the following steps:

1. Conduct meetings with staff, elected officials and commission members on issues concerning the plan.
2. Recognize where ARCS is in comparison with other agencies.
3. Develop a cost of service model to identify true costs for all offerings
4. Recommend service classifications for each program and facility as one of the following: core essential, important or value added.
5. Establish cost recovery and policy recommendations based on the service classifications



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1.2 GOALS AND DESIRED OUTCOMES

The overall goals and desired outcomes of this analysis as a component of the Cost Recovery and Pricing Plan are:

- Engage the diverse Walnut Creek staff, leadership and stakeholders in meaningful ways to build a shared vision for cost recovery
- Utilize a wide variety of data sources and best practices to create a systematic approach towards program classification, price setting and cost recovery goals
- Establish consistency across different Divisions (who benefits, methodology of establishing prices different in different areas)
- Proactively develop policies and goals to help sustainably enhance the City's award-winning offerings and support vision and mission
- Ensure the City and its universally acclaimed offerings continue to be a key reason for current / future residents and businesses to call Walnut Creek home
- Identify and define costs to achieve consistent definitions to communicate to elected officials, staff and users
- Refine cost recovery analysis

1.3 KEY FINDINGS

As part of the Cost Recovery and Pricing Plan, the PROS team utilized financial data provided by ARCS and the Open Space Division, to determine cost per visit and cost recovery comparisons of programs to other park and recreation systems of similar size. In the evaluation of Walnut Creek ARCS approach to cost recovery the following was discovered:

- The ARCS Department functions at a fairly high level in generating revenues and recovering cost compared to similar agencies nationwide. ARCS cost recovery is 74% for direct costs (includes ARCS departmental overhead) and is 62% when all City-supported services are taken into account.
- The level of cost recovery from the Open Space programs is comparatively fairly low. The Division is encouraged to benchmark its programs and fee structure against comparable agencies. Cost recovery for Open Space is 10%.
- The cost of service model shows high levels of contribution for some offerings that have high levels of individual benefit versus public benefit.
- ARCS staff, consistent with historical City financial reporting procedures, has focused primarily on the direct program delivery costs. While this is changing City-wide with the allocation of some indirect costs, it results in staff possessing comparatively less knowledge of the full costs to deliver programs and services and the unit cost per experience to provide the service.
- Classification of services were not outlined or established before the Cost Recovery and Pricing Plan process began. The degree to which the service supported the mission, the level of individual value and community value received from the service provided, and the accessibility of the service to the broad public were areas that had to be determined.
- Consistent system-wide approach towards managing scholarships was absent. However, there are individual initiatives that are in place and successful.

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- Earned income strategy, such as grants, sponsorships, advertising etc. was limited largely to the Leshner Center for the Arts and Social Services. Revenue generation through non-tax, non-user fee areas such as long-term sponsorships, naming rights, advertising etc. was minimal in other areas.

1.4 KEY RECOMMENDATIONS

The following are the overall recommendations and cost recovery strategies that ARCS and the Open Space Division should consider as part of the implementation of the Cost Recovery and Pricing Plan. The recommendations are developed based on best practices and from discussions with the key staff members during the course of the plan development.

1.4.1 PROGRAM CLASSIFICATION

- Adopt a classification system that includes three categories of core essential, important or value added.
- Incorporate and annually update program classifications methodology to shape future pricing decisions and range of cost recovery
- Communicate cost recovery goals by area to internal and external stakeholders to ensure consistency and clarity of vision
- Continue to explore differential pricing strategies to help meet cost recovery goals. These could include prime-time, non-prime as well as resident, non-resident fees in areas where staff deems appropriate
- Evaluate programs that consistently fail to meet cost recovery goals for repositioning, re-pricing or elimination

Action Strategy: All service offerings should be evaluated annually on their ability to meet established performance cost recovery goals to ensure alignment with market needs and the financial constraints of ARCS and the Open Space Division based on the City's economic realities.

1.4.2 RENTALS

Based on recently developed agreements for Aquatics Rentals and the potential to update the Field Rental policy, the following are suggested recommendations for the two areas that currently have the greatest opportunity to enhance their cost recovery rates.

- Rentals are the areas that have a higher level of individual benefit versus community benefits since the renter has exclusive access that precludes others from using that space or offering during that time
- For Aquatics rentals, there are recently established agreements in place that target closer to 50% cost recovery at the end of the contract terms.
 - It is recommended that staff review (and, as required, update) the negotiated agreement after 3 years of the recently implemented agreement to reflect cost recovery goals by program classification and true cost of service
- For Field Rentals, there is room to update rates to better reflect the true costs and level of benefit accrued to the users.

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- **Action Strategy:** The current structure has a cap for field rental fees based on certain levels of field usage ranging from 0 to 89 hours, 90-249 hours and 250-449 hours and higher. While the cap based approach should be continued, the current cap structure could be modified to address the disparity between actual revenue and the true costs, which would help increase the cost recovery for this program. The following is a suggested approach for staff to evaluate with respect to rates and price increases. The extent of cap ranges for hours should best be determined by staff.
 - Revise hourly rates to \$30 and \$35 for non-profits and private groups respectively
 - Institute a maximum of 5% price increase every 2 years to account for increasing field maintenance and staffing costs required to ensure quality and integrity of field surfaces

1.4.3 NEW REVENUE SOURCES

More and more parks and recreation agencies are looking to partnerships and creative revenue generating sources as a means to ensure long-term financial sustainability without burdening the existing user base. The following are some creative sources of revenue that agencies nationwide have been successfully pursuing in recent times.

- Sponsorships
- Naming Rights
- Grants
- Crowd-funding
 - www.Kickstarter.org
 - www.Razoo.com

Action Strategy: As opportunities are available, appropriately increase staffing resources to enable Walnut Creek ARCS and Open Space to more aggressively pursue additional revenue opportunities. Undertake sponsorship valuation to assess potential value of ARCS and Open Space offerings based on visitation numbers. Continue seeking grants that are appropriate to furthering the mission of ARCS & Open Space.

1.4.4 POLICIES AND BEST MANAGEMENT PRACTICES

Based on findings from the benchmarking as well as discussions with staff, the following are some specific policy based recommendations that can be evaluated for implementation.

- **Continuing to track participation numbers and true costs** for indirect and overhead costs will help ARCS and Open Space staff manage and price programs accurately in the future and thus ensure long-term financial sustainability
- **Continue to revisit rental policies** for field rentals and aquatics to accurately reflect equity of use and cost of offering services
- **Establish a formal Scholarship Policy** for ARCS to secure a dedicated funding source to sustain scholarships and develop a system-wide process to identify and support deserving recipients
- **Update the revenue and cost recovery policy** to allow for greater pursuit of creative earned income sources

Action Strategy: Add or modify policies that will provide ARCS and Open Space the flexibility to generate more earned income that can be reinvested into their operations to help support or expand their high-quality facilities and program offerings.

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1.4.5 FINANCIAL

The cost of service model is a dynamic tool that will help staff in making better decisions with financial tracking and pricing management for its current and future offerings.

- Continue to utilize the cost of service model to assist with financial management and pricing of existing and future service.
- While the existing data is helpful to understand the overall financial performance of each area and, as it is enhanced, utilizing the additional levels of data captured would only help staff to quickly identify opportunities for improvement or enhancement and justify them in a defensible manner.

Action Strategy: Update the Cost of Service Model, at minimum, on an annual basis in order to accurately reflect the true cost of service and thus build pricing decisions based on that.

1.4.6 OTHER RECOMMENDATIONS

- Consistently apply all recommendations to all residents in the service area based on the criteria established in this plan.
- Appropriately balance the sources for funding the costs of services between public funding support and earned revenues by establishing an updated cost recovery goal on a yearly basis.
- Continue marketing outreach for increased awareness and participation
- Continue to support the recreation, open space and arts focused lifestyle of residents and visitors through innovative and updated opportunities.

1.5 CONCLUSION

The key to a successful pricing plan and philosophy centers on knowing the true costs to produce a service or product and having a process in place to manage, expand or eliminate offerings based on community values and financial goals. Creating effective, mission-based products and services with quality and knowledgeable staff and volunteers in place provides a memorable and fun experience that mixes products and services well.

Pricing of services should motivate visitors and educate them on the value they obtain whether it is participating in a sports camp, using a picnic area or by partaking in a high-quality performance at the Leshner Center for the Arts. The pursuit of earned income dollars should continue to be emphasized and support and training should be provided to staff to make it successful and achieve the desired results.

The recommendations outlined have been built keeping in mind the unique nature of Walnut Creek with its high quality of life and community values based on an appreciation for the arts, recreation and outdoor activities.

Lastly, a successful plan implementation requires a focused persistence but also warrants patience in implementing, tracking and modifying strategies based on their success or failure. It is important to bear in mind that this plan is meant to be a guideline that helps elevate the existing high level of performance demonstrated by ARCS and Open Space and to provide a structure and a philosophy that can be employed to drive long-term financial sustainability in Walnut Creek. Supportive leadership and trained staff who all buy into the collective vision and consistently communicate that to all users will be the key to ensuring that ARCS and Open Space Division meet the community needs in a financially sustainable manner for years to come.

City of Walnut Creek
 Arts, Recreation & Community Services
 Conceptual Cost Recovery Program Classification Structure

Essential Category	Important Category	Value-Added Category
<p>Core service Serves majority of the community High level of contribution offered</p> <p>Cost Recovery Target: 30% or less</p>	<p>Important service Serves broad segment of the community Some level of contribution offered</p> <p>Cost Recovery Target: 31% to 70%</p>	<p>Enhanced community offering Serves niche groups Limited to no contribution</p> <p>Cost Recovery Target: 71% and over</p>
Aquatic Instruction Performing Arts Education Programs (Beginning) Recreation Classes (Youth Health & Fitness) Senior Social Services & Drop-in Activities Visual Arts Education Programs (Beginning)	After School Sports (Intramural) Center REP Productions Field Rentals Gym Rentals Large Community Events Performing Arts Education Programs (Intermediate) Performing Arts Theatre Rental Pool Rentals Preschools Recreation & Fitness Swimming Recreation & Fitness Swimming (Water Exercise) Recreation Classes (Adult Health & Fitness) Recreation Classes (Youth Personal Enrichment) Senior Classes Senior Meals & Transportation Specialized Recreation Visual Arts Education Programs (Intermediate) Visual Arts Program Exhibitions	Adult Sports After School Sports (Competitive) Community Concerts (ParrConcerts) Family Theatre Festival Indoor & Outdoor Facility Rentals Park Rentals (Large Community Events) Park Rentals (Special Events) Performing Arts Education Programs (Advanced) Recreation Classes (Adult Personal Enrichment) Summer Camps Tennis Program Visual Arts Education Programs (Advanced) Visual Arts Education Summer Youth Art Program Young REP Theatre Education Program