



PARKS AND RECREATION DEPARTMENT  
COST RECOVERY METHODOLOGY  
FINAL REPORT  
JULY 2018



## ACKNOWLEDGEMENTS

The County of San Luis Obispo Parks and Recreation Department would like to acknowledge the contributions of all residents, interested civic and citizen groups, and staff that participated in this process.

### **County of San Luis Obispo Board of Supervisors:**

Supervisor John Peschong, District 1  
Supervisor Bruce Gibson, District 2  
Supervisor Adam Hill, District 3  
Supervisor Lynn Compton, District 4  
Supervisor Debbie Arnold, District 5

### **Parks & Recreation County Commission:**

Ann Cochrane, District 1  
Pandora Nash-Karner, District 2  
Bruce Hilton, District 3  
Connie O'Henley, District 4  
Kenny Dahlen, District 5

### **County of San Luis Obispo**

Nick Franco, Parks and Recreation Director  
Larry Iaquinto, Parks and Recreation Assistant Director  
Shaun Cooper, Senior Planner  
Cynthia Boe, Administrative Services Manager  
Josh Heptig, Golf Course Superintendent  
Ken Klis, Parks Superintendent  
Don Melin, Parks Superintendent  
Shantessy Kaye, Accountant III  
Michele Venturini, Secretary II  
Anna Diaz, Administrative Assistant III  
David Grim, Administrative Analyst, Administrative Office

### **Consultants**

Chris Dropinski, *Greenplay LLC*  
Dylan Packebush, *Greenplay LLC*

*For more information about this document please contact:*  
**County of San Luis Obispo Parks and Recreation Department**  
1144 Monterey Street  
County of San Luis Obispo, CA 93408  
[www.slocountyparks.org](http://www.slocountyparks.org)

# Table of Contents

|                                                                                                          |               |
|----------------------------------------------------------------------------------------------------------|---------------|
| <b>Executive Summary .....</b>                                                                           | <b>1</b>      |
| Introduction .....                                                                                       | 1             |
| The Project .....                                                                                        | 1             |
| Purpose and Goals .....                                                                                  | 2             |
| Project Approach and Methodology.....                                                                    | 2             |
| The County of San Luis Obispo Parks and Recreation Department Cost Recovery Pyramid Model .....          | 2             |
| Proposed Cost Recovery Policy .....                                                                      | 6             |
| The Full Cost Recovery Methodology Report .....                                                          | 7             |
| <b>I. A Philosophy, a Model, and a Policy .....</b>                                                      | <b>9</b>      |
| A <i>Best Practice</i> Tool .....                                                                        | 9             |
| Resource Allocation and Cost Recovery Defined .....                                                      | 9             |
| Determining the Cost of a Program or Activity .....                                                      | 11            |
| <b>II. About the County of San Luis Obispo Parks and Recreation Department .....</b>                     | <b>12</b>     |
| County of San Luis Obispo and Parks and Recreation Department Mission Statements .....                   | 13            |
| <b>III. Project Approach .....</b>                                                                       | <b>14</b>     |
| Project Team .....                                                                                       | 14            |
| Project Schedule .....                                                                                   | 14            |
| Staff and Stakeholder Engagement .....                                                                   | 15            |
| The Cost Recovery Pyramid Methodology.....                                                               | 15            |
| <b>IV. Cost Recovery Pyramid Model Result.....</b>                                                       | <b>17</b>     |
| A Consensus Pyramid .....                                                                                | 17            |
| Cost Recovery Targets.....                                                                               | 20            |
| <b>V. Establishing Fees and Charges.....</b>                                                             | <b>22</b>     |
| Developing a Pricing Strategy .....                                                                      | 22            |
| Criteria for Establishing Fees and Charges.....                                                          | 22            |
| <b>VI. Identifying a Cost Recovery Policy.....</b>                                                       | <b>25</b>     |
| <b>VII. Using the Policy as a Business Tool.....</b>                                                     | <b>26</b>     |
| <b>VIII. Conclusion .....</b>                                                                            | <b>26</b>     |
| <br><b>Appendix A: The Pyramid Methodology .....</b>                                                     | <br><b>27</b> |
| <b>Appendix B: County of San Luis Obispo Parks and Recreation Department Categories of Service .....</b> | <b>32</b>     |
| <b>Appendix C: Current and Target Cost Recovery – Parks and Golf Divisions .....</b>                     | <b>39</b>     |
| <b>Appendix D: Developing a Pricing Strategy.....</b>                                                    | <b>41</b>     |
| <b>Appendix E: Current and Potential Funding Strategies .....</b>                                        | <b>44</b>     |

## Table of Tables

|                                                                                                       |    |
|-------------------------------------------------------------------------------------------------------|----|
| Table 1: Current and Minimum Target Cost Recovery .....                                               | 3  |
| Table 2: Current and Minimum Target Cost Recovery .....                                               | 21 |
| Table 3: County of San Luis Obispo Parks and Recreation Department – Definition of Cost and Fees..... | 22 |

## Table of Figures

|                                                                                      |    |
|--------------------------------------------------------------------------------------|----|
| Figure 1: County of San Luis Obispo Pyramid Model – Parks Division.....              | 4  |
| Figure 2: County of San Luis Obispo Pyramid Model – Golf Division.....               | 5  |
| Figure 3: Department’s Total Revenue and Expenditures and General Fund Support ..... | 13 |
| Figure 4: County of San Luis Obispo Pyramid Model – Parks Division.....              | 18 |
| Figure 5: County of San Luis Obispo Pyramid Model – Golf Division.....               | 19 |

# Executive Summary

## Introduction

*Cost Recovery* is a complex subject. It represents a decision to generate revenues by charging fees, or other types of revenue, for some, or all, programs and services relative to the total operational costs to provide them. Cost recovery does not imply that the target is total recovery of the cost; however, a target is established according to a variety of considerations and may range from 0% to more than 100% of direct costs. As cost recovery is defined differently in nearly every organization, this document discusses *Cost Recovery* as it relates to the County of San Luis Obispo Parks and Recreation Department.

## The Project

This study is driven by the current circumstances surrounding the Department. The Department is a Special Revenue Fund and generates funds through multiple sources of revenue, including General Fund support from the County. The County's General Fund resources are split amongst several departments, and while the Department receives annual General Fund support, it has not increased along with the cost to provide services. Moreover, the Department has recently taken on grounds maintenance of some county facilities accounting for a net decrease of general funds by approximately \$222,000 over a ten year period. The Department's ability to provide sustainable services relies on its ability to recover costs within its service profile.

## Background

In 2005, the County of San Luis Obispo Grand Jury issued a report titled "Out on a Dead Limb" which raised concerns about the long term financial health of the County's park system in light of insufficient maintenance funding and increasing deferred maintenance. A Blue Ribbon Task Force reviewed the report and recommended establishing an independent Parks and Recreation Department to address the issues raised by the Grand Jury. Nine years after the report, the County did establish an independent Parks and Recreation Department.

Since that time, the Department has made significant progress to structure around the Commission for Accreditation of Park and Recreation Agencies' accreditation standards. However, the underlying funding structure of the Department remains unsustainable since it relies primarily on fees and deferring maintenance to balance budgets without considering reduced services and/or General Fund support.

The Department recognizes the need to define a cost recovery policy moving forward in order to manage its service profile and establish more transparency and credibility with the community and elected officials.

## Purpose and Goals

The Department desires to evolve a long-term strategy, structure, and system that provides for its fiscal health and sustainability and is responsive to the community. Goals are to:

- Develop a sustainable and justifiable philosophy, supporting policy, and cost model for calculating fees.
- Provide a tool/system to be used to recalibrate existing parks and recreation fees based on the resulting parks and recreation philosophy.
- Define a cost recovery philosophy to be adopted by the County Board of Supervisors.

## Project Approach and Methodology

A Project Team was established to review existing policy, guidelines, and practices; to become familiar with the Pyramid Methodology; to work with citizen stakeholders to understand community values; and to recommend the best cost recovery practices. The Project Team identified typical and measurable direct costs associated with providing programs and services, defined categories of programs and services, determined appropriate methodology for allocation of overhead and indirect cost, and participated in sorting workshops to place categories of services on appropriate pyramid tiers. Ultimately, the Project Team acknowledged current cost recovery levels and used them to determine appropriate target cost recovery levels.

The project commenced in January of 2018; included three workshops in February, March, and May; and concluded with final recommendations presented to the Board of Supervisors in July. The Department hosted a series of sessions within the March workshops with the goal to gather input from staff, the Parks and Recreation Commissioners, stakeholders, and the public, allowing the Department to understand which programs and services are considered to have mostly community benefits, which ones have mostly individual benefits, and which ones have a balance of benefits. It also allowed participants to better understand their fellow participants' perspectives.

Cost recovery was then measured using Fiscal Year 2016-2017 data. Data from FY 16-17 was chosen, because at the time of this process, it was the most recent data that contained a complete fiscal year of operation. Amounts were determined for each Category of Service, and for each Tier of Service on which the Categories were placed, informing the setting of new targets for cost recovery to attain financial goals of the County and sustainability for the parks and recreation effort.

## The County of San Luis Obispo Parks and Recreation Department Cost Recovery Pyramid Model

Current Minimum *Category Target*, and Minimum *Tier Target* Cost Recovery is shown by Tier in **Table 1** below. It is anticipated that a plan will be formulated to reach this target through a combination of cost savings, new revenue streams, and fee adjustments. Adjustments will be proposed starting immediately, but implementation may be gradual.

**Table 1: Current and Minimum Target Cost Recovery**

| Categories of Service – Parks Division         | Current Cost Recovery % | Minimum Category Target Cost Recovery % | Minimum Tier Target Cost Recovery % |
|------------------------------------------------|-------------------------|-----------------------------------------|-------------------------------------|
| Tier 5 – Mostly Individual Benefit*            | 162%                    | 100%                                    | 170%                                |
| Tier 4 – Considerable Individual Benefit       | 69%                     | 50%                                     | 75%                                 |
| Tier 3 – Balanced Community/Individual Benefit | 48%                     | 40%                                     | 60%                                 |
| Tier 2 – Considerable Community Benefit        | 0%                      | 0%                                      | 0%                                  |
| Tier 1 – Mostly Community Benefit              | 1%                      | 0%                                      | 0%                                  |
| Categories of Service – Golf Division          | Current Cost Recovery % | Minimum Category Target Cost Recovery % | Minimum Tier Target Cost Recovery % |
| Tier 5 – Mostly Individual Benefit             | 389%                    | 125%                                    | 390%                                |
| Tier 4 – Considerable Individual Benefit       | 132%                    | 100%                                    | 150%                                |
| Tier 3 – Balanced Community/Individual Benefit | 78%                     | 55%                                     | 80%                                 |
| Tier 2 – Considerable Community Benefit        | 0%                      | 0%                                      | 0%                                  |
| Tier 1 – Mostly Community Benefit              | 0%                      | 0%                                      | 0%                                  |

\*Full definitions of each Tier can be found in **Appendix A**.

Placement of Categories on Tier levels is shown on **Figures 1 and 2**. The percentage of *Total Direct Expenses* is the percentage of the Department's total budget that represents the services assigned to each tier.



Figure 1: County of San Luis Obispo Pyramid Model – Parks Division

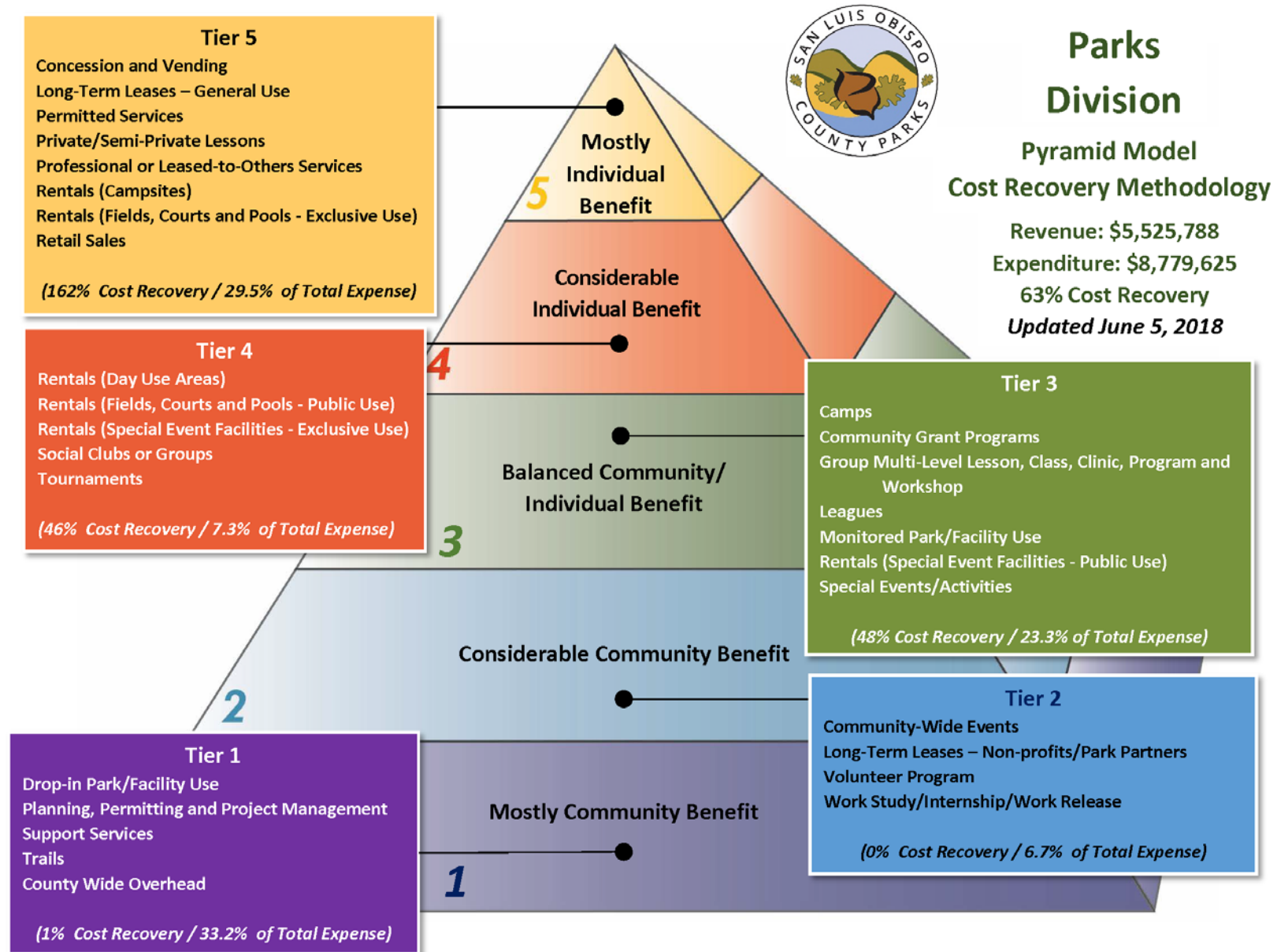
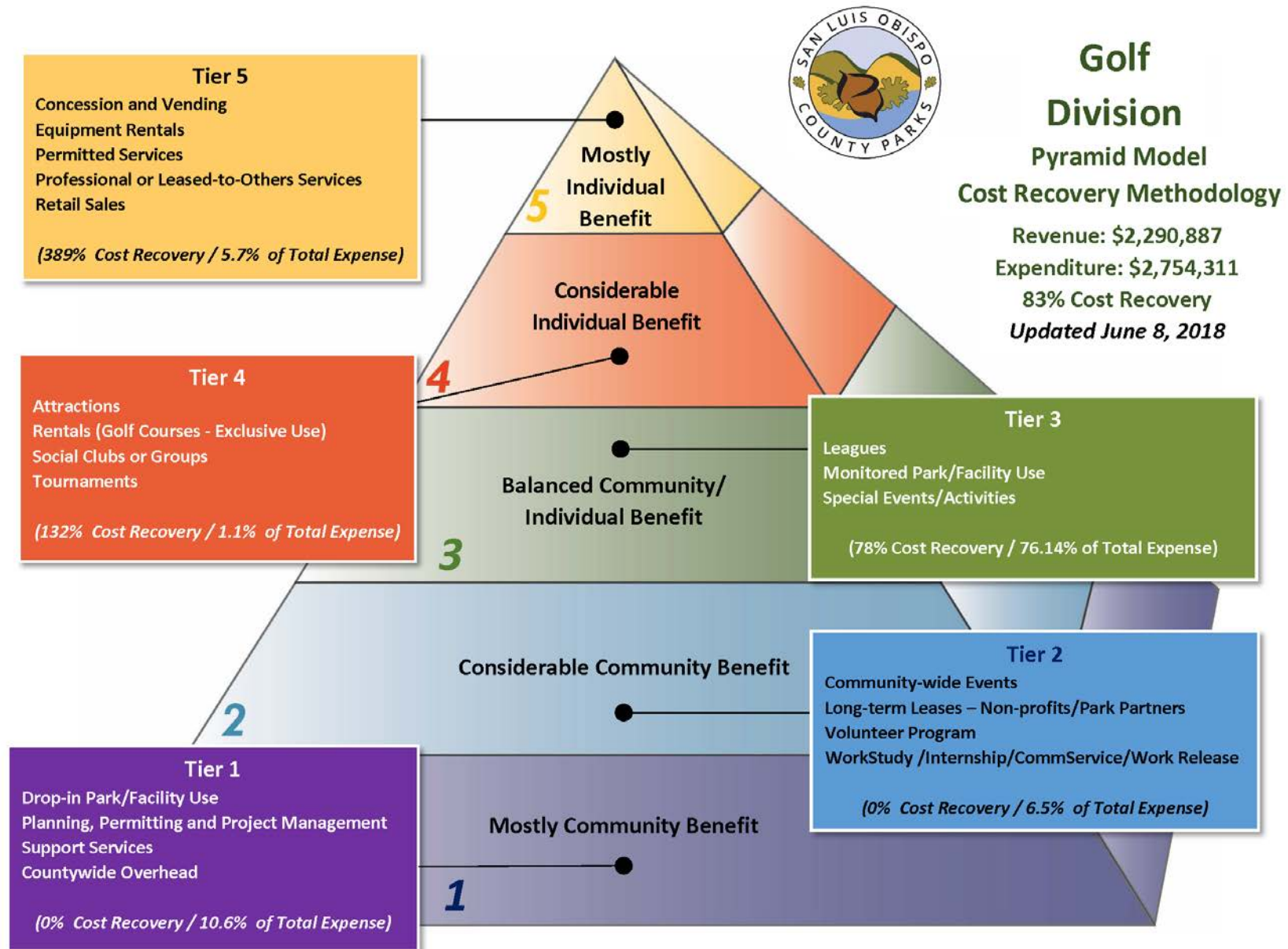




Figure 2: County of San Luis Obispo Pyramid Model – Golf Division



## Proposed Cost Recovery Policy

By engaging all levels of users, from the public to County elected officials, and committing to the implementation of the model, the Department has created a new operational philosophy that reflects its community. The following policy was drafted and recommended for adoption by the Board of Supervisors on July 17, 2018:

*As a publicly financed park and recreation system, the County of San Luis Obispo Parks and Recreation Department provides a basic level of service free to the public, in exchange for tax dollars. However, fees and charges and other methods to recover costs are considered a responsible and necessary means to supplement tax revenue and regulate park use where appropriate.*

*In establishing fees and charges, the County of San Luis Obispo Parks and Recreation Department will determine the direct costs of providing services and establish goals to recover those costs. The appropriate level of cost recovery will be based on an assessment of who is benefiting from the service provided. If the benefit is to the community as a whole, it is appropriate to use taxpayer dollars to completely, or primarily fund the service. Examples of services that primarily provide community benefits are hiking and biking trails, play areas, community parks, practice putting greens, and large natural areas.*

*As the benefit is increasingly offered to an individual or select group of individuals, it is appropriate to charge fees for the service at an increasing rate of cost recovery. Supervised or instructed programs, facilities, and equipment that visitors can use exclusively, and products and services that may be purchased, provide examples where user fees are appropriate.*

*The County of San Luis Obispo Parks and Recreation Department should also consider available resources, public need, public acceptance, and the community economic climate when establishing fees and charges. In cases where certain programs and facilities are highly specialized by activity and design, and appeal to a select user group, the Department shall additionally consider fees charged by alternative service providers or market rates. Fees and charges can be set to recover costs in excess of direct and indirect costs, where appropriate, as a method of subsidizing other services.*

*The Department may subsidize the cost recovery objective of services for persons with economic need or other targeted populations, as determined by policy of the Board of Supervisors, through tax-supported fee reductions, scholarships, grants, or other methods. The Board of Supervisors may also approve exceptional fees or fee waivers upon determination the fee arrangements will benefit the public interest.*

## The Full Cost Recovery Methodology Report

The full Cost Recovery Methodology Report is based on the foundation of the proposed cost recovery policy language. The report documents the examination of the department's services and measurement of current cost recovery while fully embracing the community dialogue regarding perspectives on applying the community and individual benefit filter. The resulting pyramid model illustrates appropriate cost recovery targets and provides the framework for annual decision making.

THIS PAGE INTENTIONALLY LEFT BLANK



PARKS AND RECREATION DEPARTMENT  
COST RECOVERY METHODOLOGY  
FINAL REPORT

THIS PAGE INTENTIONALLY LEFT BLANK



# I. A Philosophy, a Model, and a Policy

Having a Resource Allocation and Cost Recovery Philosophy, Model, and Policy assists in answering challenging questions such as:

- Are our programs priced fairly and equitably?
- Are we using funding in a responsible manner?
- Is there a methodology for the distribution of the tax investment?
- Does the way we charge for services (facilities, programs, etc.) support our values, vision, and mission?

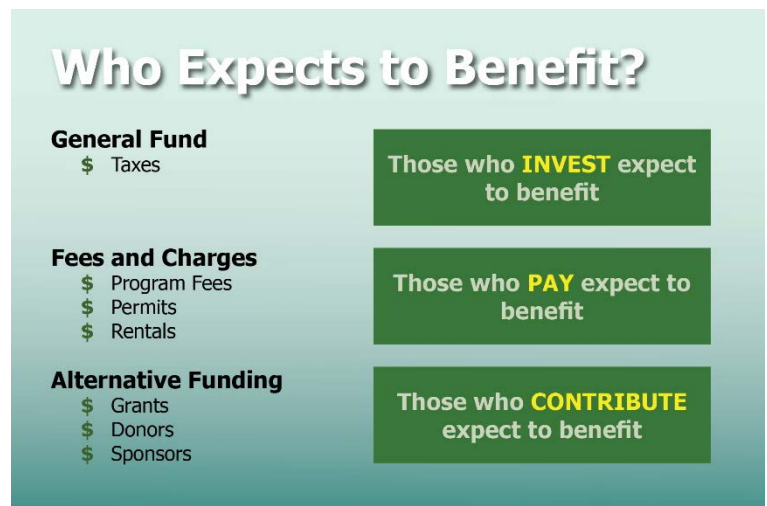
## A Best Practice Tool

This comprehensive effort and approach to providing services is undertaken to introduce and implement strong “best practice” business tools to the Department. Parks and recreation services are varied and make up many smaller “businesses” that each have their unique place in the market and appeal to the population in a myriad of ways. The overall goal of this plan is to initiate and sustain practices and examine policy and rules affecting overall desired outcomes of a healthy and vibrant community.

## Resource Allocation and Cost Recovery Defined

Resource allocation is how appropriated tax dollars and alternative sources of funding are used. Cost recovery is the amount of the annual operating budgeted expense that can be offset by funding from sources other than general taxpayer investment (whether derived from property, sales, or other sources).

Although fee adjustments are possible, the goal is not to simply generate new revenues through fees, but to ensure a sustainable system into the future by using tax revenues and fees in the most appropriate ways, supplemented where possible by grants, donations, partnerships, and other sources of alternative revenues. Paying taxes typically supports “core services,” whereas fees and charges usually account for activities and services that benefit individuals. This practice allows the agency to allocate its resources wisely and provide valuable information for decision making and setting priorities for improvements and changes to the system.



## Core Services

Core services satisfy an agency's mission and vision, typically benefiting all community members. It is not necessary that an individual participate in a specific recreational or cultural activity, or even step into a park setting to receive benefit. Having a nice park and trail system with trees, open space, and recreational amenities available in the community adds to home values and a quality living environment. Core services also provide opportunity for partaking in activity, contribute to clean air, and provide relief from urban density. To achieve these and other outcomes, an agency invests its tax dollars in these core services.

## A Sustainable System

"Sustainability" is a very popular and perhaps overused word. Often, the users have in mind only one of the three basic elements of sustainability – Financial or Economic, Environmental, and Social or Recreational – making it very challenging to come to any kind of consensus when others may be focusing on one of the other elements. In order to manage the system of parks and recreation, all elements of sustainability must be balanced. The financial resources must be adequate to maintain the system into the future, the environment we love so dearly cannot be "loved to death," and the people must be allowed appropriate use of the system to properly connect to and understand the value represented, creating stewardship while promoting the other benefits of physical activity and mental/emotional engagement. When all three are attended to, a dynamic, yet sustainable system is possible.



## Supplementing Taxes with Fees

Parks and Recreation services provide value to the community in terms of economic, environmental, and social benefits. Tax dollars support these "core services." Beyond those benefits realized by all residents, the agency is also able to provide specific activities and services that benefit individuals. There are not adequate tax dollars to completely support this level of activity, and it is appropriate and common to charge at least minimally for these services. For example, if an individual takes a swimming lesson or participates in a senior trip, there are certain levels of skill building, social engagement, or entertainment that accrue to that person, but it can still be argued there is a benefit to the community as a whole by teaching people safety around water, and through the social capital and health gained by keeping seniors active and in touch. This warrants covering at least a portion of the cost of a program or activity through an individual fee. Other opportunities, such as the rental of a space for a private party, warrant a fee to cover the entire cost of providing that space.

## Determining the Cost of a Program or Activity

Dollars spent will be accounted for specifically by programs and services offered. “Direct” costs include easily tracked expenses such as the cost of an instructor, including benefits, supplies needed, equipment rented, etc. “Indirect” costs within the Department are shared among several programs or services within a division and have been identified in previous efforts of the department for costing services. Department overhead includes the cost of department leadership and other shared costs that have been allocated among all services in this project.

Does “cost recovery” mean that we need to cover all of the costs of a program or activity through fees? No – in most cases where fees are appropriate, the cost recovery target will be set to recover a portion of (or all of) the “direct” cost. In some cases where the individual benefit is very high, the cost recovery target will be set to cover more than 100% of the direct cost. Cost recovery can also be accomplished through other forms of revenue such as grants, donations, sponsorships, etc.

### **Taking Care of Those who Cannot Afford to Pay a Fee**

Options are always available for those with economic need. The County of San Luis Obispo may make provisions through a fee reduction scholarship policy and program. It is not a sustainable practice to keep fees artificially low in order to ensure that all can afford to pay.

## II. About the County of San Luis Obispo Parks and Recreation Department

In 2005, the County of San Luis Obispo Grand Jury issued a report titled “Out on a Dead Limb” which raised concerns about the long term financial health of the county’s park system in light of insufficient maintenance funding and increasing deferred maintenance. A Blue Ribbon Task Force reviewed the report and recommended establishing an independent Parks and Recreation Department to address the issues raised by the Grand Jury. An independent Parks and Recreation Department was established in 2014.

Today, the Department is staffed by 61 FTEs and operates an annual budget of approximately \$12 million, providing multiple recreational opportunities to the Central Coast community and its visitors. These recreational opportunities include programming like camping, fishing, golf courses, health and fitness, and special interest classes; facilities including swimming pools and picnic shelters; and regional amenities such as beach access points and the Bob Jones Trail.

The Department is guided by the Parks and Recreation Element (PRE), which was adopted by the Board of Supervisors on December 19, 2006. It currently provides strategic direction for the Department by offering multiple opportunities and strategies, some of which have not been implemented.

The Department has made significant progress to structure around the Commission for Accreditation of Park and Recreation Agencies’ accreditation standards. The underlying funding structure of the Department remains unsustainable since it relies primarily on fees and deferring maintenance to balance budgets without considering reduced services and/or General Fund support.

This study provides the framework and policy direction to ensure that the programs and services provided by the Department are operating through a sustainable and transparent approach. This study will also help the Department determine the “fit” programs within its service profile.

### **County of San Luis Obispo Parks and Recreation Department Operating Structure**

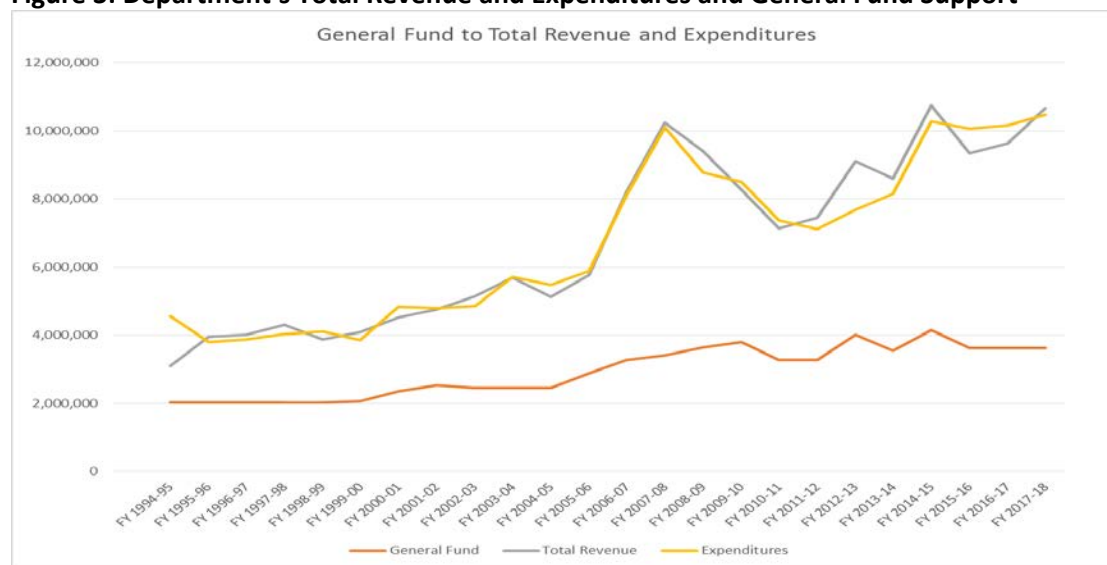
The Department is a Special Revenue Fund that receives some General Fund support from the County’s overall budget. As a Special Revenue Fund, the Department is able to generate revenues that will be stay within the Department’s budget. The Golf Division of the Department operates as an Enterprise Fund.<sup>1</sup>

The Department receives General Fund support, but it relies on its ability to generate revenues, through programs and services, to cover the remaining expenditures. **Figure 3** depicts the relationship between General fund support to revenues and expenditures within the Department.

---

<sup>1</sup> This study defines costs and targets for the Parks Division and Golf Division separately.

**Figure 3: Department's Total Revenue and Expenditures and General Fund Support**



The General Fund has increased over the last 15 to 20 years, but not incrementally or in proportion to the expenditures of the Department, placing more pressure on the service profile of the Department to fill the gap created.

The Department is currently able to generate funds to recover these costs; however, it is not a sustainable long-term strategy because of the rising cost of doing business in parks and recreation, scenarios outside of the Department's control (ex. drought or fire), the volatility of the consumer market, and the inability of current fees to keep up with rising costs.

## County of San Luis Obispo and Parks and Recreation Department Mission Statements

The mission of the County and the Parks and Recreation Department represent principles that create a philosophical framework to guide, direct, and serve as the foundation for all organizational decisions and processes. They also help determine those community conditions that the Department wishes to impact, guiding often-difficult management decisions, substantiating them, and making them justifiable and transparent.

### County of San Luis Obispo Mission

*The County's elected representatives and employees are committed to serve the community with pride to enhance the economic, environmental and social quality of life in San Luis Obispo County.*

### Parks and Recreation Department Mission

*Ensure diverse opportunities for recreation and the personal enrichment of the County's residents and visitors while protecting its natural, cultural, and historical resources.*

# III. Project Approach

## Project Team

A project team of staff and outside consultants reviewed existing policy, guidelines, and practices; became familiar with the Pyramid Methodology; and worked with citizen stakeholders to understand community values; and to recommend the best cost recovery practices. The project team identified typical and measurable direct costs associated with providing programs and services, determined appropriate methodology for allocation of overhead and indirect cost, defined categories of programs and services, and participated in sorting workshops to place Categories of Services on appropriate Pyramid Tiers. Ultimately, the project team acknowledged current cost recovery levels and used them to determine appropriate target cost recovery levels.

## Project Schedule

The project was accomplished through a 2018 Workshop Series, each preceded and followed with intensive staff work to understand, gather data, discover, engage with citizen stakeholders, sort, and strategize.

|                                                                                                                        |                   |
|------------------------------------------------------------------------------------------------------------------------|-------------------|
| <b>Strategic Kick-Off</b>                                                                                              | December 21, 2107 |
| <b><u>Workshop Series</u></b>                                                                                          |                   |
| <b>Workshop I</b><br>Creating the Categories of Service                                                                | February 7, 2018  |
| <b>Workshop II</b><br>Sorting Workshops                                                                                | March 12 – 13     |
| <b>Workshop III</b><br>Pricing Strategies<br>Cost Recovery Targets, Goals & Objectives                                 | May 2 – 3         |
| <b>Presentation of Findings and Recommendations</b><br>Presentation of materials to Parks and Recreation<br>Commission | June 14           |
| Presentation of materials to County Board<br>of Supervisors for adoption                                               | July 17           |

This series of workshops and discussions, as well as an activity focused on the benefits of services provided by the Department, helped to identify how those benefits accrue to the individual or group participants and to the taxpaying community as a whole, setting the foundation for a cost recovery approach.



## Staff and Stakeholder Engagement

The Department hosted three workshop sessions on March 12 and 13, 2018 with the goal of gathering input from staff, Parks and Recreation commissioners, County Board members, and stakeholders for the development of a taxpayer investment/resource and cost recovery philosophy. This model, based on the Pyramid Methodology, will be a component of ongoing planning and budgeting processes. At the workshops, participants were asked to identify where programs and other inter-related core services fit within the pyramid model using a benefits filter.

The effort is based on a community values-based conversation. Participants dedicated time to participate in discussions, along with an activity about balancing the community benefits and individual benefits of programs and services provided by the Department. This approach allows staff to understand which programs and services are considered to have mostly community benefits, which ones have mostly individual benefits, and which ones have a balance of benefits. It also allowed participants to better understand their fellow participants' perspectives.

By using feedback from the community to look at programs and services in this way, staff can set a program's cost-recovery goal relative to the amount of community benefit each category of service provides. Programs and services considered to have higher individual benefits will be recommended to have a higher cost recovery ratio.

## The Cost Recovery Pyramid Methodology

The Pyramid methodology used in development of the Cost Recovery Model is built on a foundation of understanding who is benefiting from park and recreation services to determine how the costs for service should be paid.

The Cost Recovery Pyramid Model illustrates a pricing philosophy based on establishing fees commensurate with the benefit received. Descriptions regarding each level of the pyramid are provided; however, the model is intended as a discussion point and is very dependent on agency philosophies to determine what programs and services belong on each level. Cultural, regional, geographical, and resource differences play a large role in this determination. The resulting pyramid is unique to each agency that applies this methodology.

Application of the pyramid methodology begins with the mission of the organization, but must also address other considerations:

- Who benefits from the service, the community in general or only the individual or group receiving the service?
- Does the individual or group receiving the service generate the need (and therefore the cost) of providing the service?
- Will imposing the full cost fee pose a hardship on specific users? (The ability to pay is different than the benefit and value of a program, activity, or service, and therefore, should be dealt with during the implementation phase of pricing and marketing.)
- Do community values support taxpayer investment for the cost of service for individuals with special needs (for example, people with disabilities or low-income)?
- Will the level of the fee affect the demand for the service?
- Is it possible and desirable to manage demand for a service by changing the level of the fee?

- Are there competing providers of the service in the public or private sector?

The application of the model is broken down into the following steps:

- Step 1: Building on your organization's values, vision, and mission
- Step 2: Understanding the Pyramid Methodology, the benefits filter, and secondary filters
- Step 3: Developing the organization's Categories of Service
- Step 4: Sorting the Categories of Service onto the Pyramid
- Step 5: Defining Direct and Indirect Costs
- Step 6: Determining (or confirming) current tax investment/cost recovery levels
- Step 7: Establishing cost recovery/tax investment goals
- Step 8: Understanding and Preparing for Influential Factors and Considerations
- Step 9: Implementation
- Step 10: Evaluation

Detailed information regarding each of the Steps can be found in **Appendix A**.

## IV. Cost Recovery Pyramid Model Result

### A Consensus Pyramid

After the Department's categories of service were defined (**Appendix B**), a consensus pyramid was created. Participants in the public sorting process placed each category of service in the appropriate tier of the pyramid based on the benefits filter and other filters. Current cost recovery percentages were calculated based on a more specific and consistent definition of direct and indirect costs identified during this process.

The County of San Luis Obispo Parks and Recreation Department Pyramids, with current cost recovery levels, are shown in **Figures 4 and 5**. Current cost recovery will be refined over the first year of implementation as steps are taken to more accurately account for revenues and expenditures by service area. Each tier also contains the percentage of the total budget represented in each tier. For example, Tier 5 in the Parks Division represents 29.5 percent of total expenses.

Figure 4: County of San Luis Obispo Pyramid Model – Parks Division

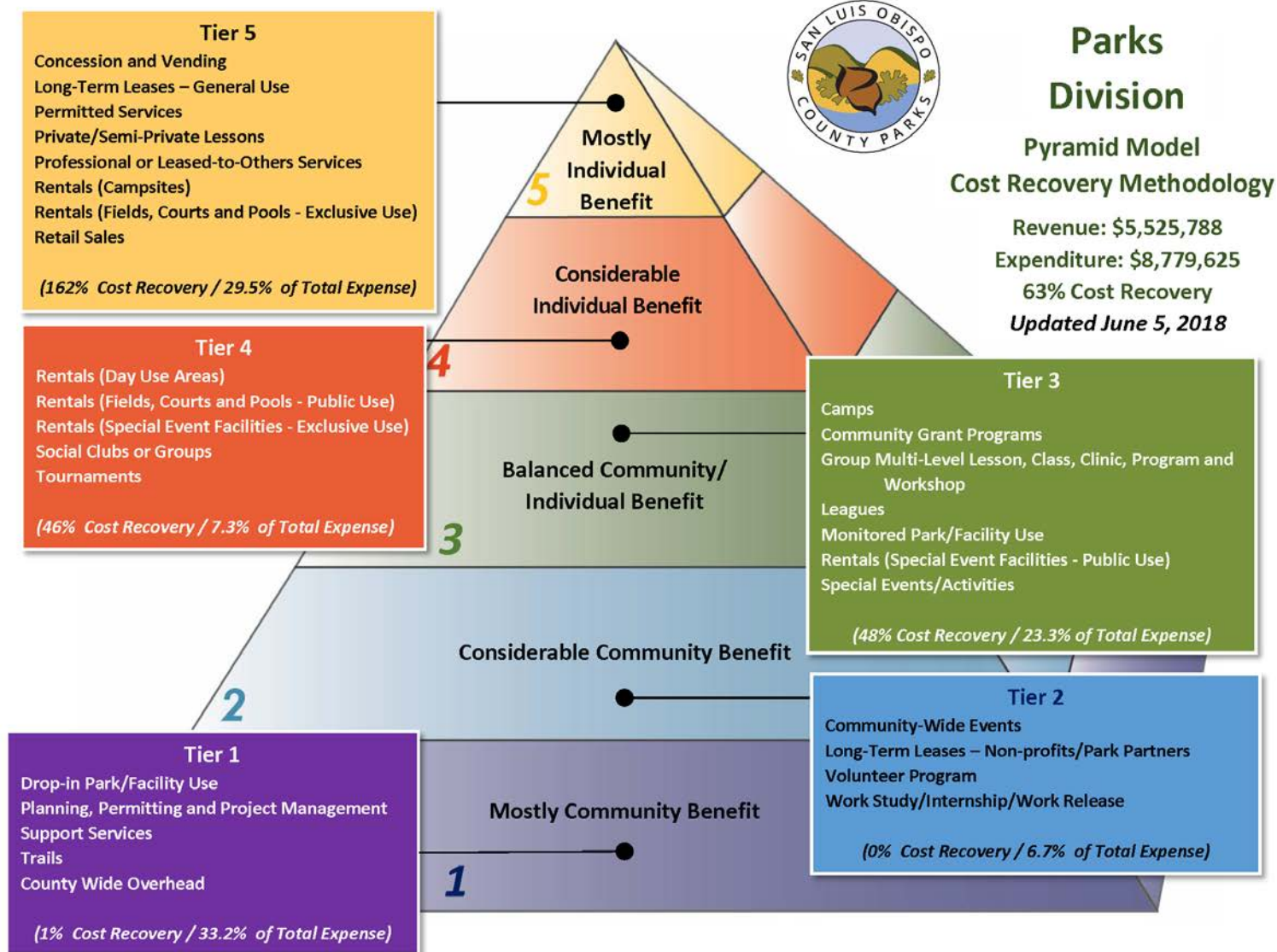
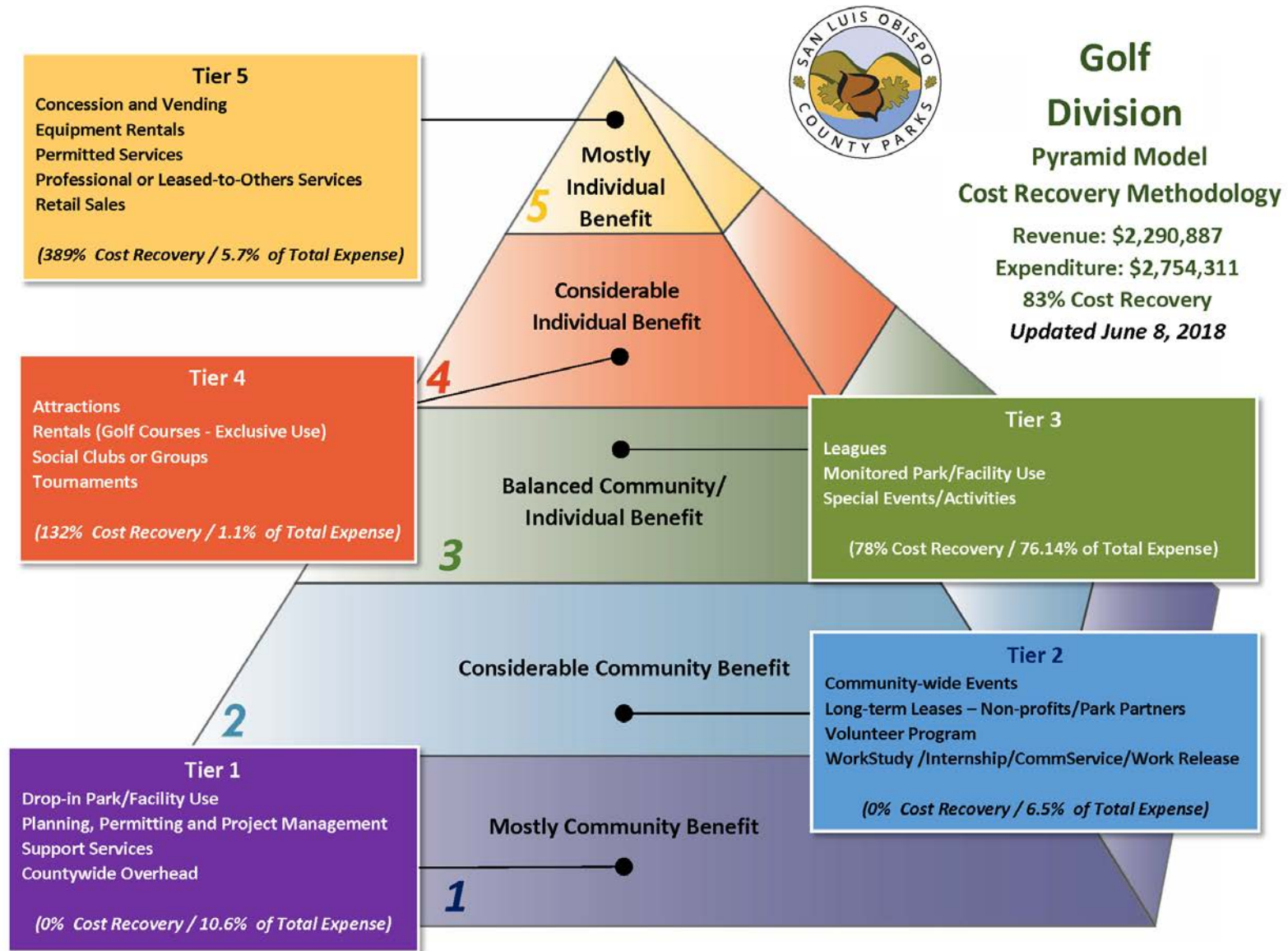


Figure 5: County of San Luis Obispo Pyramid Model – Golf Division



## Cost Recovery Targets

Cost recovery targets were then identified for each category and tier of the Pyramid to assist in future planning and determination of appropriate pricing. These targets are expressed as category and tier minimums on the Cost Recovery Pyramid. Minimums are set as to not hinder a given category's ability to recover a higher percentage of costs. The target minimums are:

*Target Minimum Category Cost Recovery Percentage*

The minimum cost recovery for each category of service within that tier based on direct costs only.

*Target Minimum Tier Cost Recovery Percentage*

The minimum cost recovery for each tier based on direct costs only.

These percentages were established by analyzing each category of service. Category minimums are set in order to establish that each category of service within a tier has a different ability to recover costs, but should be held to a minimum to support their given tier's cost recovery target. Tier minimums are set with the understanding that some tiers are in a better position to recover a higher percentage of costs and impact the overall budget.

These targets reflect the County of San Luis Obispo community and align with the direction of policy makers regarding broad picture financial goals and objectives. It also considers the value of the offering and what the community will think is reasonable, as well as current cost recovery levels. Within each tier, each category of service will be evaluated to bring it into alignment within the tier target. Best practice target levels should also be considered.

*Current and Minimum Target Cost Recovery* is shown in **Table 2** below. The Project Team felt that these minimums are approachable in the short-term. Calculations for each category of service and tier can be found in **Appendix C**.



**Table 2: Current and Minimum Target Cost Recovery**

| Categories of Service – Parks Division         | Current Cost Recovery % | Minimum Category Target Cost Recovery % | Minimum Tier Target Cost Recovery % |
|------------------------------------------------|-------------------------|-----------------------------------------|-------------------------------------|
| Tier 5 – Mostly Individual Benefit*            | 162%                    | 100%                                    | 170%                                |
| Tier 4 – Considerable Individual Benefit       | 69%                     | 50%                                     | 75%                                 |
| Tier 3 – Balanced Community/Individual Benefit | 48%                     | 40%                                     | 60%                                 |
| Tier 2 – Considerable Community Benefit        | 0%                      | 0%                                      | 0%                                  |
| Tier 1 – Mostly Community Benefit              | 1%                      | 0%                                      | 0%                                  |
| Categories of Service – Golf Division          | Current Cost Recovery % | Minimum Category Target Cost Recovery % | Minimum Tier Target Cost Recovery % |
| Tier 5 – Mostly Individual Benefit             | 389%                    | 125%                                    | 390%                                |
| Tier 4 – Considerable Individual Benefit       | 132%                    | 100%                                    | 150%                                |
| Tier 3 – Balanced Community/Individual Benefit | 78%                     | 55%                                     | 80%                                 |
| Tier 2 – Considerable Community Benefit        | 0%                      | 0%                                      | 0%                                  |
| Tier 1 – Mostly Community Benefit              | 0%                      | 0%                                      | 0%                                  |

*\*Full definitions of each Tier can be found in **Appendix A**.*

## V. Establishing Fees and Charges

### Developing a Pricing Strategy

As the final step in the development of this methodology, pricing strategies were considered. Pricing of services must be done on a service-by-service basis. A training on pricing was provided to staff and information is included as **Appendix D** in this document. Definition of *costs* and *fees* (**Table 3**) as discussed are provided here and followed by *Criteria for Establishing Fees and Charges* that align with pyramid levels.

**Table 3: County of San Luis Obispo Parks and Recreation Department – Definition of Cost and Fees**

| Costs are defined as:                                                                                                                                                                                                                                                                                                                                          | Fees are defined as:                                                                                                                                                                                                                                                                                                                                                         |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Direct Cost:</b> Costs that can be specifically traceable to a single program or activity. Normally direct costs include salaries, benefits, supplies, travel expenses, and contracted services that can be identified and charged to a specific program. If a cost cannot be specifically identified as direct, then include it in indirect costs.         | <b>Partial Cost Fee:</b> A fee recovering something less than the full cost. This could be a percentage of direct costs, all direct costs, or some combination. The remaining portion of the costs will be subsidized.                                                                                                                                                       |
| <b>Indirect Cost:</b> Costs incurred for a common or joint purpose, benefiting more than one program. Indirect costs include both departmental and countywide overhead. Indirect costs differ from direct costs in that they cannot be specifically identified to a program or activity and therefore must be allocated using a systematic and rational basis. | <b>Full Cost Fee:</b> A fee based on a traditional price-cost relationship; recovers the total cost of a service or program including all direct costs, enabling the break-even point to be reached. Full-cost recovery is often used as a strategy for services perceived as “private,” benefiting only users while offering no external benefits to the general community. |
| <b>Department Overhead Cost:</b> Costs incurred by the Parks and Recreation Department that are not directly attributable to a program or service but are necessary to support the effort and are incurred for a common objective.                                                                                                                             | <b>Market Rate Fee:</b> Fee based on demand for a service or facility. The market rate is determined by identifying all providers of an identical service (Examples: private sector providers, other municipalities, etc.), and setting the fee at the highest level that the market will bear.                                                                              |

### Criteria for Establishing Fees and Charges

This section describes criteria for establishing fees and charges within the proposed cost recovery model. While fees and charges are the most common funding mechanisms associated with recreational services and programs, they are not the only option to generate revenue. As part of this study, the Department participated in an exercise which identified current and potential funding opportunities. The results of that exercise can be found in **Appendix E**.

### **Low or No Cost Recovery/High or Full Tax investment:**

This criteria applies to the **Mostly Community Benefit** Tier (1) of the pyramid. The following criteria are used to determine if a service should be included in the tier, keeping in mind that a service does not have to meet every criterion:

- The service is equally available to everyone in the community and should benefit everyone.
- Because the service is basic, it is difficult to determine benefits received by one user.
- The level of service attributable to a user is not known.
- Administrative costs of imposing and collecting a fee exceed revenue expected from the fee.
- Imposing the fee would place the agency at a serious competitive disadvantage.
- The service is primarily provided by the public sector.

### **Partial Cost Recovery/Partial Tax investment:**

This criteria applies to the **Considerable Community** (2) and **Balanced Community/Individual Benefits** (3) tiers of the pyramid. Users fees may recover only partial cost for those services for which the agency desires to manage demand.

- User fees may recover only partial cost from those individuals who cannot pay full cost due to economic hardship.
- A user fee may recover only partial cost if competitive market conditions make a full cost fee undesirable.
- The following criteria are used to determine if a service should be included in these tiers, keeping in mind that a service does not have to meet every criterion:
  - ✓ Services benefit those who participate but the community at large also benefits.
  - ✓ The level of service use attributed to a user is known.
  - ✓ Administrative costs of imposing and collecting the fee are not excessive.
  - ✓ Imposing a full cost fee would place the agency at a competitive disadvantage.
  - ✓ The service may be provided by the public sector, but may also be provided by the private sector.

### **Substantial Cost Recovery:**

This criteria applies to the **Considerable Individual Benefit** tier (4) of the pyramid.

- User fees should recover the substantial cost of services benefiting specific groups or individuals.
- User fees should recover the substantial cost for those services provided to persons who generate the need for those services.
- The following criteria are used to determine if a service should be included in this tier, keeping in mind that a service does not have to meet every criterion:
  - ✓ The individual or group using the service is the primary beneficiary.
  - ✓ The level of service use attributed to a user is known.
  - ✓ Administrative costs of imposing and collecting the fee are not excessive.
  - ✓ Imposing a substantial cost fee would not place the agency at a competitive disadvantage.
  - ✓ The service is usually provided by the private sector, but may also be provided by the public sector.

**Full Cost Recovery/No Tax investment:**

This criteria applies to the **Mostly Individual Benefit** tier (5) of the pyramid.

- User fees should recover the full cost or more for a service in order to subsidize other services provided to the community.
- The following criteria are used to determine if a service should be included, keeping in mind that a service does not have to meet every criterion:
  - ✓ Individuals or groups benefit from the service and there is little community benefit.
  - ✓ The level of service use attributable to a user is known.
  - ✓ There is excess demand for the service; therefore, allocation of limited services is required.
  - ✓ Administrative costs of imposing and collecting the fee are not excessive.
  - ✓ The service is provided at market price by the private sector.

## VI. Identifying a Cost Recovery Policy

The purpose of the extensive effort undertaken during this study was to establish an operating philosophy for the Department that would result in the development and approval of a formal cost recovery policy. By engaging all levels of users, from the public to County elected officials, and committing to the implementation of the model, the Department has created a new operational philosophy that reflects its community. An official policy should be adopted by the Board of Supervisors to support the Department's efforts moving forward. A recommended policy for adoption is:

*As a publicly financed park and recreation system, the County of San Luis Obispo Parks and Recreation Department provides a basic level of service free to the public, in exchange for tax dollars. However, fees and charges and other methods to recover costs are considered a responsible and necessary means to supplement tax revenue and regulate park use where appropriate.*

*In establishing fees and charges, the County of San Luis Obispo Parks and Recreation Department will determine the direct costs of providing services and establish goals to recover those costs. The appropriate level of cost recovery will be based on an assessment of who is benefiting from the service provided. If the benefit is to the community as a whole, it is appropriate to use taxpayer dollars to completely, or primarily fund the service. Examples of services that primarily provide community benefits are hiking and biking trails, play areas, community parks, practice putting greens, and large natural areas.*

*As the benefit is increasingly offered to an individual or select group of individuals, it is appropriate to charge fees for the service at an increasing rate of cost recovery. Supervised or instructed programs, facilities and equipment that visitors can use exclusively, and products and services that may be purchased, provide examples where user fees are appropriate.*

*The County of San Luis Obispo Parks and Recreation Department should also consider available resources, public need, public acceptance, and the community economic climate when establishing fees and charges. In cases where certain programs and facilities are highly specialized by activity and design, and appeal to a select user group, the Department shall additionally consider fees charged by alternative service providers or market rates. Fees and charges can be set to recover costs in excess of direct and indirect costs, where appropriate, as a method of subsidizing other services.*

*The Department may subsidize the cost recovery objective of services for persons with economic need or other targeted populations, as determined by policy of the Board of Supervisors, through tax-supported fee reductions, scholarships, grants, or other methods. The Board of Supervisors may also approve exceptional fees or fee waivers upon determination the fee arrangements will benefit the public interest.*

## VII. Using the Policy as a Business Tool

With an adopted cost recovery policy comprised of a policy statement as well as the pyramid model with cost recovery targets for categories of service and tier levels, the Department has the tools it needs to make smart business decisions and annual recommendations to the Board of Supervisors when appropriate during the budget, capital improvement, and fee approval processes.

The model provides a quick illustration of misalignment of current and target cost recovery. This allows the Department to focus on and prioritize specific services for analysis. While a fee adjustment may be an appropriate strategy for increasing cost recovery, other strategies are also considered, including restructuring of a program, advancement in the marketplace by expanding the service, cost reductions, potential collaboration, and even divestment or discontinuation of a service. Staff is well prepared to research and apply appropriate strategies. Changes of significant magnitude would be brought to the attention of the Board of Supervisors in an appropriate way.

## VIII. Conclusion

This report is the first step toward adopting an operating philosophy and policy for the Parks and Recreation Department. By involving a wide-range of people involved in the operations of the Department, from users to Commissioners, this policy is representative and inclusive of the community. Utilizing this report, the Department can further analyze its service profile during the yearly budgeting cycle and take recommended actions, such as investments or divestments in operations, to the Board of Supervisors. Operating this way in the long-term allows the Department to establish more transparency with its elected officials and community, and creates a more sustainable operating path.

The Department, at all levels, should be commended for their efforts during this process.



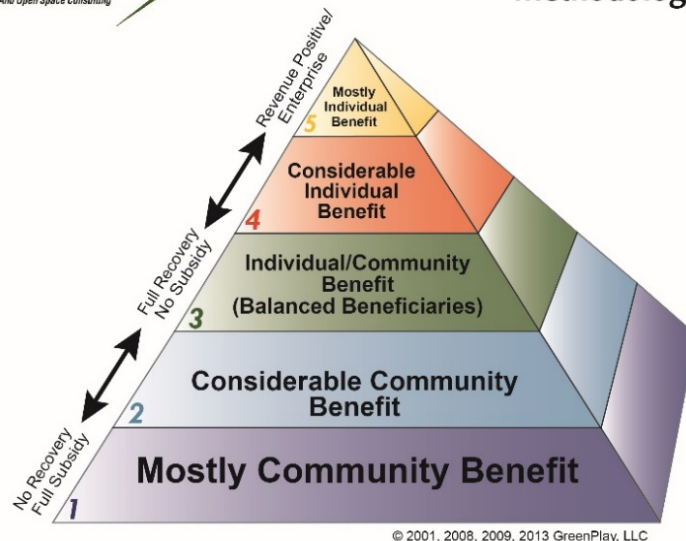
# Appendix A: The Pyramid Methodology

## Step 1: Building on Your Organization's Mission

Critical to this philosophical undertaking is the support and buy-in of elected officials and advisory board members, staff, and ultimately, citizens. Whether or not significant changes are called for, the organization should be certain that it philosophically aligns with its constituents. The development of a financial resource allocation philosophy and policy is built upon a very logical foundation, based upon the theory that those who benefit from parks and recreation services ultimately pay for services. Envision a pyramid sectioned horizontally into five levels.



## The Pyramid Methodology



## Step 2: Understanding the Pyramid Methodology, Benefits Filter, and Secondary Filters

The creation of a cost recovery and tax investment allocation philosophy and policy is a key component to maintaining an agency's financial control, equitably pricing offerings, and helping to identify core services including programs and facilities.

The principal foundation of the Pyramid is the **Benefits Filter**. Conceptually, the base level of the pyramid represents the core services of a public parks and recreation system. Services appropriate to higher levels of the pyramid should only be offered when the preceding levels below are comprehensive enough to provide a foundation for the next level. The foundation and upward progression is intended to represent public parks and recreation's core mission, while also reflecting the growth and maturity of an organization as it enhances its service offerings. Each level of the Pyramid from the bottom to the top is described below.

### MOSTLY COMMUNITY Benefit

The foundational level of the Pyramid is the largest, and encompasses those services including programs and facilities that **MOSTLY** benefit the **COMMUNITY** as a whole. These services may increase property values, provide safety, address social needs, and enhance quality of life for residents. The community generally pays for these basic services via tax support. These services are generally offered to residents at a minimal charge or with no fee. A large percentage of the agency's tax support would fund this level of the Pyramid.

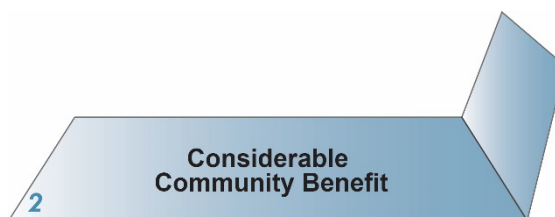


Examples of these services could include: the existence of the community parks and recreation system, the ability to visit facilities on an informal basis, park and facility planning and design, park maintenance, or others.

**NOTE: All examples given are generic – individual agencies vary in their determination of which services belong in the foundation level of the Pyramid based upon agency values, vision, mission, demographics, goals, etc.**

### CONSIDERABLE COMMUNITY Benefit

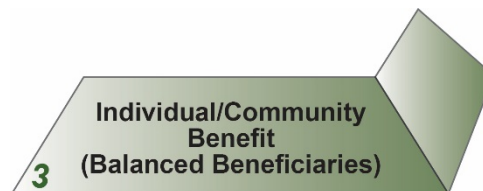
The second level of the Pyramid represents services that promote individual physical and mental well-being, and may begin to provide skill development. They are generally traditionally expected services and/or beginner instructional levels. These services are typically assigned fees based upon a specified percentage of direct (and may also include indirect) costs. These costs are partially offset by both a tax investment to account for **CONSIDERABLE COMMUNITY** benefit and participant fees to account for the **Individual** benefit received from the service.



Examples of these services could include: staff facility and park use, therapeutic recreation programs and services, recreation leagues, etc.

### BALANCED INDIVIDUAL/COMMUNITY Benefit

The third level of the Pyramid represents services promoting individual physical and mental well-being, and provides an intermediate level of skill development. The level provides balanced **INDIVIDUAL** and **COMMUNITY** benefit and should be priced accordingly. The individual fee is set to recover a higher percentage of cost than those services falling within lower Pyramid levels.



Examples of these services could include: camps and after school programs, beginning level instructional programs and classes, teen programs, etc.

### CONSIDERABLE INDIVIDUAL Benefit

The fourth level of the Pyramid represents specialized services generally for specific groups, and those that may have a competitive focus. Services in this level may be priced to recover full cost, including all direct expenses.



Examples of these services could include: trips, advanced level classes, competitive leagues, etc.

### MOSTLY INDIVIDUAL Benefit

At the top of the Pyramid, the fifth level represents services that have potential to generate revenues above costs, may be in the same market space as the private sector, or may fall outside the core mission of the agency. In this level, services should be priced to recover full cost in addition to a designated profit percentage.



*Examples of these activities could include: private lessons, company picnic rentals, other facility rentals for weddings or other services, concessions and merchandise for resale, restaurant services, etc.*

### Step 3: Developing the Organization's Categories of Service

Prior to sorting each program and service onto the Pyramid, the project team took on the daunting task of reviewing, analyzing, and sifting through many individual programs and services in an effort to create the Department's **Categories of Services**, including definitions and examples. "Narrowing down" facilities, programs, and services and placing them in categories (groups of like or similar service) that best fit their descriptions allowed a reasonable number of items to be sorted onto the pyramid tiers using the Individual and Community Benefit filter.

Thirty-two (32) categories were identified as listed below. The charge to both staff and citizen stakeholders was to sort these categories onto appropriate levels of the pyramid model based on who they benefited (the benefit filter). Those categories ranged from mostly benefiting the **Community as a Whole**, to programs and services mostly providing an **Individual** benefit. There was also discussion of consideration of additional filters, which often hold a secondary significance in determining placement on the Cost Recovery Pyramid.

#### **Categories of Service (32)**

- Retail Sales
- Private/Semi-Private Lessons
- Long-term Leases – General Use
- Equipment Rentals
- Professional Leased to Others Services
- Concessions and Vending
- Rentals (Fields/Courts – Exclusive Use)
- Rentals (Special Event Facilities – Exclusive Use)
- Campsite Rental/Use
- Pools Rental/Use
- Golf Course Rentals/Use
- Day Use Areas Rental/Use
- Tournaments
- Permitted Services
- Social Clubs/Support Groups
- Attractions
- Group Classes, Clinics, Programs/Workshops
- Camps
- Specialized Events/Activities
- Rentals – (Fields/Courts – Public Use)
- Rentals – (Special Event Facilities – Public Use)
- Leagues
- Community Grant Programs
- Monitored Park/Facility Use
- Community-wide Events
- Long-term Leases – Non-profits/Partners
- WorkStudy/CommService/Internship
- Volunteer Program
- Trails
- Drop-in Park/Facility Use

### Step 4: Sorting the Categories of Service onto the Pyramid

This step was completed with staff and citizens in mind. The sorting process is where ownership is created for the philosophy, while participants discover the current and possibly varied operating histories, cultures, missions, and values of the organization. The process develops consensus and allows everyone to land on the same page. The effort must reflect the community and align with the mission of the Department.

The sorting process was a challenging step and was led by objective and impartial facilitators in order to hear all viewpoints. The process generated discussion and debate as participants discovered what others had to say about serving the community, about adults versus youth versus seniors, about advanced versus intermediate and beginning programs, about special events, athletic fields, and rental involving the general public, non-profit and for-profit entities, etc. It was important to push through the “what” to the “why” to find common ground.

### **Step 5: Defining Costs**

The definition of direct and indirect costs can vary from agency to agency. The most important aspect to understand is that all costs associated with directly running a program or providing a service are identified and consistently applied across the system. Direct costs typically include the specific, identifiable expenses (fixed and variable) associated with providing a service. These expenses would not exist without the service and may be variable costs.

### **Step 6: Determining (or Confirming) Current Tax Investment/Cost Recovery Levels**

This establishes the expectation that the agency will confirm or determine current cost recovery and subsidy allocation levels by category of services based upon the definition of costs. Consideration of revenue sources and services costs is included in this step. For example, in the County of San Luis Obispo, staff may not be cost accounting consistently, and these inconsistencies become apparent. Results of this step identify what it costs to provide services to the community, whether staff has the capacity or resources necessary to account for and track costs, whether accurate cost recovery levels can be identified, and whether cost centers or general ledger line items align with how the agency may want to track these costs in the future.

The overall tax investment/cost recovery level is comprised of the average of everything in all of the tiers together as a whole. This step identifies what the current tax investment level is for the programs sorted into each tier. There may be quite a range within each tier, and some programs could overlap with other tiers of the pyramid. This will be rectified as implementation of recommendations occurs.

### **Step 7: Establishing Cost Recovery/Tax Investment Targets**

The Project Team worked to align who is benefiting from programs and services with the sources of funding used to pay for them. The tax investment is used in greater amounts at the bottom levels of the pyramid, reflecting the benefit to the **Community** as a whole. As the pyramid is climbed, the percentage of tax investment decreases, and at the top levels, it may not be used at all, reflecting the **Individual** benefit.

Targets take into account current cost recovery levels. As costing of services and matching revenues is a very revealing process, realistic and feasible targets have been recommended to align with the pyramid model and also to meet specific financial objectives for recovery of direct and indirect cost. These targets are identified on the Departments Pyramid Model.

### **Step 8: Understanding and Preparing for Influential Factors and Considerations**

Inherent to sorting programs onto the Pyramid model using the Benefits and other filters is the realization that other factors come into play. This can result in decisions to place services in other levels than might first be thought. These factors can aid in determining core services versus ancillary services. These factors include participant commitment, trends, political issues, marketing, relative cost to provide the service (cost per participant), current economic conditions, and financial goals.

**Step 9: Implementation**

The Department has set its goals based upon values, vision, mission, stakeholder input, funding, and/or other criteria. Upon completion of steps 1-8, the Department has positioned itself to illustrate and articulate where it has been and where it is heading from a financial perspective. Some actions are scheduled to occur immediately, and others will take time to put into place, while some will be implemented incrementally. It is important that fee change tolerance levels are considered.

**Step 10: Evaluation**

This process has been undertaken in order to articulate a philosophy, train staff on a best practice ongoing approach to cost recovery in public parks and recreation, and enhance financial sustainability. Performance measures have been established through cost recovery targets, specific recommendations have been made for services found to be out of alignment, and evaluation of goal attainment is recommended to take place annually.

# Appendix B: County of San Luis Obispo Parks and Recreation Department Categories of Service

**Purpose:** Prior to sorting each program and service onto the Pyramid, the Project Team reviewed and analyzed programs and services in an effort to create the Department's **Categories of Services**, including definitions and examples. "Narrowing down" facilities, programs, and services and placing them in categories (groups of like or similar service) that best fit their descriptions allowed a reasonable number of items to be sorted onto the pyramid tiers using the Individual and Community Benefit filter.

Thirty-two (32) categories were identified as listed below. The charge to both staff and the public was to sort these categories onto appropriate levels of the pyramid model based on who they benefited (the benefit filter). Those categories ranged from mostly benefiting the **Community as a Whole**, to programs and services mostly providing an **Individual** benefit. There was also discussion of consideration of additional filters, which often hold a secondary significance in determining placement on the Cost Recovery Pyramid.

**TIER 5**

**Retail Sales** – merchandise sold for individual or team use. (Examples: Golf Equipment, Logo Clothing, Sports Equipment, Memorabilia)

**Private/Semi-Private Lessons** – lessons arranged for one to three students with a specific instructor and/or time. (Examples: Tennis Lessons, Swimming Lessons, Lifeguard Training, Golf Lessons)

**Long-Term Leases – General Use** – rentals for exclusive use of spaces and facilities for ongoing or multiple time-periods by a private individual, group or for-profit business. (Examples: AT&T Tower Lease, T-Mobile Tower Lease, Guidetti Brothers; Chalk Mountain Village)

**Equipment Rentals** – various agency-owned equipment available to renters. (Examples: Banquet Chairs/Tables, Audio/Video Equipment, Driving Range Balls, Golf Power/Push Carts, Golf Clubs, Sports Equipment, Bicycles)

**Professional or Leased-to-Others Services** – facility and program management or scheduling services provided by agency through contract to other agencies. Facility maintenance service to other departments. (Examples: Grounds)

**Concession and Vending** – food, beverage, and recreational services, sold for individual use or consumption. (Examples: Chalk Mountain Golf Course [Entire Operation], Morro Bay Golf Course [Restaurant and Pro Shop], Dairy Creek Restaurant, Mustang Waterpark, Vista Lago Adventure Park [Ziplines], Lopez Lake Marina, Santa Margarita Lake Marina)

**Rentals (Campsites)** – rentals for exclusive use for limited time periods of campground sites and/or facilities. (Examples: Lopez Lake Camping/Cabins and Camp French, Coastal Dunes Campground Camping, Oceano Campground Camping, El Chorro Regional Park Camping, Santa Margarita Lake Camping/Cabins)

**Rentals (Fields, Courts and Pools - Exclusive Use)** – rentals of fields and courts for exclusive use for limited time periods not open to the general public. (Examples: Biddle Park Sports Fields, Nipomo Community Park Sports Fields and Tennis Courts, Avila Beach Community Park Basketball Courts, El Chorro Regional Park Sports Fields, Los Osos Community Park Skate Park and Tennis Courts, Hardie Park Tennis Courts, Heilmann Regional Park Tennis Courts, San Miguel Park Sports Field)

**Permitted Services** – non-rental permitted services. (Examples: Film Permits; Access Permits; Exclusive Use Permits for Blue Moon Over Avila, Pier Front Wine & Brew & The Old Custom House/Mr. Ricks; Vendor Permit for California Hot Dog [Avila Plaza & Avila Park]; Vendor Permit for Cayucos Pier Hot Dog Cart)



#### **TIER 4**

**Rentals (Special Event Facilities - Exclusive Use)** – rentals of facilities for exclusive use for limited time periods for an event not open to the general public. (Examples: Lopez Lake Camp French; El Chorro Regional Park Event Areas and Dog Park; Los Osos Community Park Red Barn and Grizzly picnic area, and Schoolhouse; Cayucos Beach and/or Pier Special Use Permit; C.W. Clarke Park [Shandon] Club House; Dairy Creek Golf Course Club House and Cart Barn [Weddings and other events]; Heilmann Park Dog Park; Nipomo Park Dog Park; Norma Rose Dog Park; Templeton Park Dog Park; Paul Andrews Park Day Use Areas)

**Rentals (Golf Courses - Exclusive Use)** – rental for exclusive use for limited time periods of golf courses and related facilities. (Examples: Dairy Creek Golf Course, Morro Bay Golf Course (California State Parks) and Chalk Mountain Golf Course [concerts and events]; Driving Range; TopTracer Golf)

**Rentals (Day Use Areas)** – (Picnics, birthdays, weddings, company gatherings, etc.) – rental for limited time periods of picnic areas or other day use facilities. (Examples: Lopez Lake Day Use Area, Biddle Park Day Use Areas, Nipomo Community Park Day Use Areas, Oceano Memorial Park Day Use Park, El Chorro Regional Park Day Use Areas, Cuesta Park Day Use Areas, Los Osos Community Park Day Use Areas, Hardie Park Day Use Areas, Shamel Park Day Use Areas, Santa Margarita Lake Day Use Areas, Santa Margarita Community Park Day Use Areas, Heilmann Regional Park Day Use Areas, Templeton Community Park Day Use Areas, C.W. Clarke Park [Shandon] Day Use Areas, and San Miguel Park Day Use Areas)

**Rentals (Fields, Courts and Pools - Public Use)** – rentals of fields and courts for limited time periods for use open to the general public. (Examples: Oceano Memorial Park Basketball Court; Biddle Park Sports Fields; Nipomo Community Park Sports Fields, Tennis Courts, Pickle ball courts, Basketball ½ court; Avila Beach Community Park Basketball Court; El Chorro Regional Park Sports Fields; Los Osos Community Park Skate Park and Tennis Courts; Hardie Park Tennis Courts; Heilmann Regional Park Tennis Courts; San Miguel Park Sports Field)

**Tournaments** – scheduled one-time multi-game sporting events for various age groups that are organized and/or managed by agency or through partners, may or may not be officiated and/or judged, and may or may not be scored, providing an individual or a team experience for participants with the intent to play a game/match-format or to compete. (Examples: Golf, Fishing, Skateboarding, Bocce Ball, Pickleball, Tennis, Disc Golf, Baseball/Softball/Soccer)

**Social Clubs or Support Groups** – a sanctioned support or social club for persons with common special interest; may or may not include self-initiated or scheduled activities. (Examples: Men's/Women's Golf Club, Boy Scouts, Rotary Club, Lions Club)

**Attractions** – an admission entitling the user to access an attraction/park/facility/activity that is either registered or walk up and is actively managed, programmed, or attended by agency staff or volunteers (examples: Go-karts, miniature golf, etc.)

### **TIER 3**

**Group Multi-Level Lesson, Class, Clinic, Program and Workshop** – group recreational and/or instructional programs and activities for families and mixed ages including educational classes and athletics operated, taught, or managed by agency through contract or staff; no pre-requisite for attendance. (Examples: Golf Lessons, Clinics, Programs and Workshops; First Tee; Swimming Lessons; Junior Lifeguards; Lifeguard Training; Dance Classes; Tennis Lessons; Fitness Classes Yoga/Zumba/Conditioning; Dog Training; Junior Ranger; Fishing Clinics)

**Camps** – non-licensed camps with a social and/or recreational focus which include specific instructional or skills programs. (Examples: Summer Full-Day Camp, Sports, Themed Camps, Discovering the Environment through Education and Recreation [DEER] Camp)

**Specialized Events/Activities** – targeted annual, individualized activities and events requiring registration that are typically offered on a one-time or limited basis. (Examples: Fishing Derby, Races, Fun Runs & Walks, Speed Golf, Concerts)

**Rentals (Special Event Facilities - Public Use)** – rentals of facilities for public use for limited time periods for an event open to the general public. (Examples: Lopez Lake Camp French; El Chorro Regional Park Event Areas; Los Osos Community Park Red Barn and Grizzly, and Schoolhouse; Cayucos Beach and/or Pier Special Use Permit; C.W. Clarke Park [Shandon] Club House; Dairy Creek Golf Course Club House and Cart Barn [events]; Avila Plaza Farmers Market; Dog Splash Days)

**Leagues** – scheduled multi-game athletics for participants of multi-skill levels and various age groups that are organized and/or managed by agency or through partners, may or may not be officiated and/or judged, and may or may not be scored, providing a team experience for participants with the intent to play a game/match-format or to compete on a recreational level.

(Examples: Golf, Bocce Ball, Football, Baseball/Softball, Soccer City of San Luis Obispo; El Chorro Ball Fields; Nipomo Football League; Nipomo Little League)

**Community Grant Programs** – provides grant money opportunities for repair, maintenance, and restoration of off road vehicle areas. (Example: Off Highway Vehicle In-Lieu Fee Fund [OHVF])

**Monitored Park/Facility Use** – drop-in use of park/facility/activity that is non-registered and non-instructed, and are monitored by agency staff/volunteer supervision. (Examples: Nature Center, Guided Tours, Los Osos Skate Park, Lopez Lake, Santa Margarita Lake, Nipomo Park, El Chorro Regional Park, Biddle Park, Monarch Butterfly Tours, Day Use Parks, Camping/Cabins, Regional Parks, Community Parks, Avila Beach Plaza, Golf Course and Driving Range, Pools)

## **TIER 2**

**Community-wide Events** – community-wide events typically offered on an annual basis that do not require registration. (Examples: Easter Egg Hunt, Outdoor Discovery Festival, California Mid-State Fair, Movies, Concerts, Art, Kids Day in the Park, Fireworks, Parades, Bike Tours/Races)

**Long-Term Leases – Non-profits/Park Partners** – rentals for exclusive use of spaces and facilities for ongoing or multiple time-periods by a private individual, group, or non-profit business. (Examples: Botanical Gardens, Jack Ready Imagination Park, Rios Caledonia Adobe, City of Morro Bay – Library, Dana Adobe)

**Work Study/Internship/Community Service Program/Work Release** – services that support educational or repayment requirements. (Examples: Alternative Work Program, Cal Poly Work Study Program, Achievement House, Grizzly Youth Academy)

**Volunteer Program** – management of opportunities for individuals or groups to donate their time and effort to a structured or scheduled experience – opportunities may replace essential services or provide enhancements. (Examples: Adopt-a-Natural Area; Adopt-a-Field/Park; Adopt-a-Garden; Adopt-a-Dog Park; Trail Maintenance - Central Coast Concerned Mountain Bikers [CCCMB], Ride Nipomo, CO SLO; Program Volunteer; Clean-Up Days; Campground Host; Elfin Forest; Eagle Scouts; Golf Course Starters/Marshals; Environmental Center of San Luis Obispo [ECOSLO]; Nipomo Native Garden, Cesar Chavez Garden)

### **TIER 1**

**Trails** – Outside of developed parks, open to public access with varying levels of difficulty and use including bicycles, pedestrians and equestrians. (Examples: Bob Jones Pathway, Nipomo Area Trails, Hi Mountain Trail, Jim Green Trail, Bishop Peak Trail, Coastal Accessways)

**Drop-in Park/Facility Use** – drop-in use of park/facility/activity that is non-registered and non-instructed, and are not monitored by agency staff/volunteer supervision.

(Examples: Trail Use, Playgrounds, Community and Neighborhood Parks, Forestry on Park Sites, Self-Guided Tours, Dog Parks, Disk Golf, Beaches/Pier, Golf Putting Greens and Practice Areas, Avila Beach Plaza, Outdoor Courts, Sports Fields)

**Planning, Permitting and Project Management** – Services provided to plan projects, apply for and receive various permits, and provide oversight on the implementation of projects. (Examples: Needs Assessment, Capital Improvement Projects, Building Permits, Environmental Compliance, Native American Consultation, Master Plans).

**Support Services** – Services and facilities that are provided to support the overall Department operation. (Examples: Management, Human Resources, Accounting, Financial Services, Information Technology, Training, Risk Management, Planning/Permitting, Project Management)

**Countywide Overhead** – Required allocation of expense to cover the costs of all county government operations.

THIS PAGE INTENTIONALLY LEFT BLANK

# Appendix C: Current and Target Cost Recovery – Parks and Golf Divisions

| Row Labels                                                        | IT        | Sum of Revenue     | Sum of Expense      | Sum of % Cost Recovery | Sum of % of total Expenses | Min. Target Cost Recovery/ Category | Min. Target Cost Recovery/ Tier |
|-------------------------------------------------------------------|-----------|--------------------|---------------------|------------------------|----------------------------|-------------------------------------|---------------------------------|
| <b>5</b>                                                          |           |                    |                     |                        |                            |                                     |                                 |
| Concession and Vending                                            | \$        | (135,172)          | \$ 175,234          | 77%                    | 2.00%                      | 100%                                |                                 |
| Long-Term Leases – General Use                                    | \$        | (66,319)           | \$ 21,301           | 311%                   | 0.24%                      | 100%                                |                                 |
| Permitted Services                                                | \$        | (81,233)           | \$ 39,807           | 204%                   | 0.45%                      | 100%                                |                                 |
| Private/Semi-Private Lessons                                      | \$        | (6,626)            | \$ 14,894           | 44%                    | 0.17%                      | 100%                                |                                 |
| Professional or Leased-to-Others Services (\$221,795 General Fund | \$        | (458,993)          | \$ 464,931          | 99%                    | 5.30%                      | 100%                                |                                 |
| Rentals (Campsites)                                               | \$        | (3,382,491)        | \$ 1,725,783        | 196%                   | 19.66%                     | 100%                                |                                 |
| Rentals (Fields, Courts and Pools - Exclusive Use)                | \$        | (56,009)           | \$ 141,856          | 39%                    | 1.62%                      | 100%                                |                                 |
| Retail Sales                                                      | \$        | (2,687)            | \$ 3,143            | 85%                    | 0.04%                      | 100%                                |                                 |
| <b>5 Total</b>                                                    | <b>\$</b> | <b>(4,189,530)</b> | <b>\$ 2,586,948</b> | <b>162%</b>            | <b>29.47%</b>              | <b>100%</b>                         | <b>170%</b>                     |
| <b>4</b>                                                          |           |                    |                     |                        |                            |                                     |                                 |
| Rentals (Day Use Areas)                                           | \$        | (206,549)          | \$ 482,250          | 43%                    | 5.49%                      | 50%                                 |                                 |
| Rentals (Fields, Courts and Pools - Public Use)                   | \$        | (387)              | \$ 46,843           | 1%                     | 0.53%                      | 50%                                 |                                 |
| Rentals (Special Event Facilities - Exclusive Use)                | \$        | (46,554)           | \$ 46,287           | 101%                   | 0.53%                      | 50%                                 |                                 |
| Social Clubs or Groups                                            | \$        | -                  | \$ 23,791           | 0%                     | 0.27%                      | 50%                                 |                                 |
| Tournaments                                                       | \$        | (36,285)           | \$ 37,555           | 97%                    | 0.43%                      | 50%                                 |                                 |
| <b>4 Total</b>                                                    | <b>\$</b> | <b>(289,775)</b>   | <b>\$ 636,725</b>   | <b>46%</b>             | <b>7.25%</b>               | <b>50%</b>                          | <b>75%</b>                      |
| <b>3</b>                                                          |           |                    |                     |                        |                            |                                     |                                 |
| Camps                                                             | \$        | (36,285)           | \$ 67,434           | 54%                    | 0.77%                      | 40%                                 |                                 |
| Community Grant Programs                                          | \$        | (5,000)            | \$ 38,546           | 13%                    | 0.44%                      | 40%                                 |                                 |
| Group Multi-Level Lesson, Class, Clinic, Program and Workshop     | \$        | (27,065)           | \$ 49,636           | 55%                    | 0.57%                      | 40%                                 |                                 |
| Leagues                                                           | \$        | (5,614)            | \$ 136,766          | 4%                     | 1.56%                      | 40%                                 |                                 |
| Monitored Park/Facility Use                                       | \$        | (899,960)          | \$ 1,609,869        | 56%                    | 18.34%                     | 40%                                 |                                 |
| Rentals (Special Event Facilities - Public Use)                   | \$        | (2,496)            | \$ 23,505           | 11%                    | 0.27%                      | 40%                                 |                                 |
| Special Events/Activities                                         | \$        | (5,645)            | \$ 123,106          | 5%                     | 1.40%                      | 40%                                 |                                 |
| <b>3 Total</b>                                                    | <b>\$</b> | <b>(982,065)</b>   | <b>\$ 2,048,862</b> | <b>48%</b>             | <b>23.34%</b>              | <b>40%</b>                          | <b>60%</b>                      |
| <b>2</b>                                                          |           |                    |                     |                        |                            |                                     |                                 |
| Community-Wide Events (\$31,887 State DEER Grant expiring 2022)   | \$        | (33,737)           | \$ 133,624          | 25%                    | 1.52%                      | 0%                                  |                                 |
| Long-Term Leases – Non-profits/Park Partners                      | \$        | -                  | \$ 21,369           | 0%                     | 0.24%                      | 0%                                  |                                 |
| Volunteer Program                                                 | \$        | (567)              | \$ 276,615          | 0%                     | 3.15%                      | 0%                                  |                                 |
| Work Study/Internship/Work Release                                | \$        | (257)              | \$ 159,145          | 0%                     | 1.81%                      | 0%                                  |                                 |
| <b>2 Total</b>                                                    | <b>\$</b> | <b>(34,561)</b>    | <b>\$ 590,753</b>   | <b>6%</b>              | <b>6.73%</b>               | <b>0%</b>                           | <b>0%</b>                       |
| <b>1</b>                                                          |           |                    |                     |                        |                            |                                     |                                 |
| Drop-in Park/Facility Use                                         | \$        | (1,139)            | \$ 786,169          | 0%                     | 8.95%                      | 0%                                  |                                 |
| Planning, Permitting and Project Management                       | \$        |                    | \$ 322,222          | 0%                     | 3.67%                      | 0%                                  |                                 |
| Support Services                                                  | \$        | (25,802)           | \$ 1,246,627        | 2%                     | 14.20%                     | 0%                                  |                                 |
| Trails                                                            | \$        | (2,916)            | \$ 93,154           | 3%                     | 1.06%                      | 0%                                  |                                 |
| County Wide Overhead                                              | \$        |                    | \$ 468,164          | 0%                     | 5.33%                      | 0%                                  |                                 |
| <b>1 Total</b>                                                    | <b>\$</b> | <b>(29,857)</b>    | <b>\$ 2,916,336</b> | <b>1%</b>              | <b>33.22%</b>              | <b>0%</b>                           | <b>0.00%</b>                    |
| <b>Grand Total</b>                                                | <b>\$</b> | <b>(5,525,788)</b> | <b>\$ 8,779,625</b> | <b>63%</b>             | <b>100.00%</b>             |                                     |                                 |

| Row Labels                                   | Sum of Revenue        | Sum of Expense      | Sum of % Cost Recovery | Sum of % of Total Expenses | Min. Target Cost Recovery/ Category | Min. Target Cost Recovery/ Tier |
|----------------------------------------------|-----------------------|---------------------|------------------------|----------------------------|-------------------------------------|---------------------------------|
| <b>5</b>                                     |                       |                     |                        |                            |                                     |                                 |
| Concession and Vending                       | \$ (247,283)          | \$ 56,448           | 438%                   | 2.05%                      | 125%                                |                                 |
| Equipment Rentals                            | \$ (292,723)          | \$ 51,443           | 569%                   | 1.87%                      | 125%                                |                                 |
| Permitted Services                           | \$ -                  | \$ 2,572            | 0%                     | 0.09%                      | 125%                                |                                 |
| Professional or Leased-to-Others Services    | \$ (19,812)           | \$ 6,519            | 304%                   | 0.24%                      | 125%                                |                                 |
| Retail Sales                                 | \$ (55,934)           | \$ 41,155           | 136%                   | 1.49%                      | 125%                                |                                 |
| <b>5 Total</b>                               | <b>\$ (615,753)</b>   | <b>\$ 158,137</b>   | <b>389%</b>            | <b>5.74%</b>               | <b>125%</b>                         | <b>390%</b>                     |
| <b>4</b>                                     |                       |                     |                        |                            |                                     |                                 |
| Rentals (Golf Courses - Exclusive Use)       | \$ (4,661)            | \$ 2,572            | 181%                   | 0.09%                      | 100%                                |                                 |
| Social Clubs or Groups                       | \$ (18,645)           | \$ 18,162           | 103%                   | 0.66%                      | 100%                                |                                 |
| Tournaments                                  | \$ (17,700)           | \$ 10,289           | 172%                   | 0.37%                      | 100%                                |                                 |
| <b>4 Total</b>                               | <b>\$ (41,006)</b>    | <b>\$ 31,023</b>    | <b>132%</b>            | <b>1.13%</b>               | <b>100%</b>                         | <b>150%</b>                     |
| <b>3</b>                                     |                       |                     |                        |                            |                                     |                                 |
| Leagues                                      | \$ (5,593)            | \$ 10,289           | 54%                    | 0.37%                      | 55%                                 |                                 |
| Monitored Park/Facility Use                  | \$ (1,610,289)        | \$ 2,057,057        | 78%                    | 74.69%                     | 55%                                 |                                 |
| Special Events/Activities                    | \$ (17,700)           | \$ 29,658           | 60%                    | 1.08%                      | 55%                                 |                                 |
| <b>3 Total</b>                               | <b>\$ (1,633,582)</b> | <b>\$ 2,097,004</b> | <b>78%</b>             | <b>76.14%</b>              | <b>55%</b>                          | <b>80%</b>                      |
| <b>2</b>                                     |                       |                     |                        |                            |                                     |                                 |
| Community-Wide Events                        | \$ -                  | \$ 11,873           | 0%                     | 0.43%                      | 0%                                  |                                 |
| Long-Term Leases – Non-profits/Park Partners | \$ -                  | \$ 55,114           | 0%                     | 2.00%                      | 0%                                  |                                 |
| Volunteer Program                            | \$ -                  | \$ 90,810           | 0%                     | 3.30%                      | 0%                                  |                                 |
| Work Study/Internship/Work Release           | \$ -                  | \$ 19,527           | 0%                     | 0.71%                      | 0%                                  |                                 |
| <b>2 Total</b>                               | <b>\$ -</b>           | <b>\$ 177,324</b>   | <b>0%</b>              | <b>6.44%</b>               | <b>0%</b>                           | <b>0%</b>                       |
| <b>1</b>                                     |                       |                     |                        |                            |                                     |                                 |
| Drop-in Park/Facility Use                    | \$ -                  | \$ 49,342           | 0%                     | 1.79%                      | 0%                                  |                                 |
| Planning, Permitting and Project Management  |                       | \$ 26,318           | 0%                     | 0.96%                      | 0%                                  |                                 |
| Support Services                             | \$ (547)              | \$ 108,411          | 1%                     | 3.94%                      | 0%                                  |                                 |
| County Wide Overhead                         |                       | \$ 106,752          | 0%                     | 3.88%                      | 0%                                  |                                 |
| <b>1 Total</b>                               | <b>\$ (547)</b>       | <b>\$ 290,823</b>   | <b>0%</b>              | <b>10.56%</b>              | <b>0%</b>                           | <b>0.00%</b>                    |
| <b>Grand Total</b>                           | <b>\$ (2,290,887)</b> | <b>\$ 2,754,311</b> | <b>83%</b>             | <b>100.00%</b>             |                                     |                                 |



# Appendix D: Developing a Pricing Strategy

As the final step in the development of the ***Comprehensive Park User Fee Policy***, pricing strategies were considered. This discussion should continue in the future, and the following topic areas should be included and applied.

## 1. Understanding financial trends

The increasing complexity and resulting shifts of our society's economy have led to what can be deemed as constant fiscal change in government. Public sector administrators and managers must be prepared to respond to the fiscal realities that have resulted from these economic shifts. Trends impacting fiscal and pricing decisions include:

- Increased governmental accountability.
- Increased demand for people's "leisure dollar."
- Ongoing or increased demand for services with no/limited additional funding, or decreased funding.
- Disinterest in service reductions or increased fees and charges.
- Increased operating expenses (utilities, fuel, personnel, supplies, etc.).

## 2. Understanding the budget process and fiscal year cycle

Budgets are viewed as annual financial plans and include planning and forecasting, establishing priorities, and a way to monitor fiscal process. This overview allows for an abbreviated look at the process and how it is impacted by pricing.

## 3. Understanding the costs of service provision

Prior to making pricing decisions, it is important to understand the different types of service provision costs. Having knowledge of the various types of costs allows staff to make better informed pricing decisions. The different types of service provision costs are as follows:

- Direct costs
  - Fixed costs
  - Changing fixed costs
  - Variable costs
- Indirect Costs

## 4. Understanding the purpose of pricing

There are many reasons to develop service fees and charges. These include, but are not limited to, the following:

- Recover costs
- Create new resources
- Establish value
- Influence behavior
- Promote efficiency

**5. Pricing strategies – differential (dynamic) pricing**

Differential pricing is grounded in the notion that different fees are charged for the same service when there is no real difference in the cost of providing the service. There may be many reasons the Department may wish to consider this pricing strategy including:

- To stimulate demand for a service during a specified time.
- To reach underserved populations.
- To shift demand to another place, date, or time.

**6. Alternative funding sources**

In general, there has been a decrease in the amount of tax support available to public parks and recreation agencies across the nation. The Department is forward thinking in its planning. As such, the need to look at alternative funding sources as a way to financially support services has become commonplace. Alternative funding sources are vast and can include:

- Gifts
- Grants
- Donations
- Sponsorships
- Collaborations
- Volunteer contributions

**7. Examining the psychological dimensions of pricing**

In addition to the social and environmental issues surrounding pricing, the human elements of pricing must be considered. Regardless of how logical a price may seem, customer reactions and responses are their own and can be vastly different than what one might expect. The psychological dimensions of pricing includes:

- Protection of self-esteem (pricing in such a way as to not offend certain users).
- Price-quality relationship (value received for every dollar spent).
- Establishing a reference point (worth of service in comparison to others).
- Objective price (price has a basis in fact, is real, and impartial).
- Subjective price (price is not biased or prejudiced).
- Consistency of image (perception of the brand and identification with product or service).
- Odd pricing (perception of arbitrary or incongruent pricing).

**8. Establishing initial price**

Establishing an actual price for a program can be based upon a variety of strategies including:

- Arbitrary pricing: basing fees on a general provision such as raising all fees \$.25 to meet budget goals which ignores market conditions and cost recovery goals. Arbitrary pricing is not encouraged, as it is impossible to justify.
- Market pricing: a fee based on demand for a service or facility or what the target market is willing to pay for a service. The private and commercial sectors commonly use this strategy. One consideration for establishing a market rate fee is determined by identifying all providers of an identical service (Examples: private sector providers, municipalities, etc.), and setting the highest fee. Another consideration is setting the fee at the highest level the market will bear.

- Competitive pricing: a fee based on what similar service providers or close proximity competitors are charging for services. One consideration for establishing a competitive fee is determined by identifying all providers of an identical service (Examples: private sector providers, municipalities, etc.), and setting the mid-point or lowest fee.
- Cost recovery pricing: a fee based on cost recovery goals within market pricing ranges.

## 9. Understanding price revisions


Once a price is established, there may be the need to periodically review it and examine the need for revision. In some cases, “revised” may be viewed as “increased”; therefore, a systematic approach to pricing revision is important. Factors to consider in pricing revision include:

- Customer tolerance: the degree to which small increases in price will not encounter client resistance.
- Adjustment period: the period of time where the value of the service is assessed by the customer in relation to the price increase. The value of the service from the customer’s perspective must meet or exceed the impact of the increased cost. Adjustment periods may lead to diminished participation or termination of participation altogether based upon customer loyalty and other factors.
- Customers’ perceived value of the service: the degree to which services including programs, facilities, and parks impact the public (individual and community), or in other words, the results or outcomes of services. Value is the judgment or perception of worth or the degree of usefulness or importance placed on a service *by personal opinion*. The intent or intention of a service is the purpose, aim, or end.

## 10. The pricing process – developing a method

Staff participating in the series of workshops engaged in interactive exercises that applied the cost recovery goals of their respective service areas. The workshops prompted discussions leading to recommended changes to selected current pricing practices with the intention of attaining recommended cost recovery and tax investment allocation goals and establishing a new method for setting fees and charges. This method is based upon using cost recovery goals as a primary pricing strategy, followed by either market pricing (for services with low alternative coverage – few if any alternative providers) or competitive pricing (for services with high alternative coverage – other alternative providers offer similar or like services).

## Appendix E: Current and Potential Funding Strategies

|  | Level 1 - In Use (X) or Could Easily Be Used (XX) | Level 2 - Definitely Consider (X) | Level 3 - Possibly Consider (X) | Level 4 - Would Not Consider (X) |
|-----------------------------------------------------------------------------------|---------------------------------------------------|-----------------------------------|---------------------------------|----------------------------------|
| Agency: County of San Luis Obispo                                                 |                                                   |                                   |                                 |                                  |
| <b>Traditional Operations and Capital Development Funding Sources</b>             |                                                   |                                   |                                 |                                  |
| <b>Traditional Tax and Exactions-Based Funding Resources</b>                      |                                                   |                                   |                                 |                                  |
| General or Operating Fund                                                         | X                                                 |                                   |                                 |                                  |
| Property Tax                                                                      |                                                   |                                   | X                               |                                  |
| Sales Tax                                                                         |                                                   |                                   |                                 | X                                |
| <b>Development Funding</b>                                                        |                                                   |                                   |                                 |                                  |
| Development Impact Fees                                                           | X                                                 |                                   |                                 |                                  |
| Local Improvement Districts                                                       |                                                   |                                   | X                               |                                  |
| Park Lands Dedication Ordinance                                                   | X                                                 |                                   |                                 |                                  |
| <b>Traditional Earned Revenue Resources</b>                                       |                                                   |                                   |                                 |                                  |
| <b>Fees and Charges</b>                                                           |                                                   |                                   |                                 |                                  |
| Daily Admission, Annual Pass Sales, and Vehicle Parking Permits                   | X                                                 |                                   |                                 |                                  |
| Registration Fees                                                                 | X                                                 |                                   |                                 |                                  |
| Ticket Sales/Admission                                                            |                                                   |                                   |                                 | N/A                              |
| <b>Alternative Operations and Capital Development Funding Sources</b>             |                                                   |                                   |                                 |                                  |
| <b>Loan Mechanisms</b>                                                            |                                                   |                                   |                                 |                                  |
| Full Faith and Credit Bonds                                                       | X                                                 |                                   |                                 |                                  |
| General Obligation Bonds                                                          | X                                                 |                                   |                                 |                                  |
| Industrial Development Bonds                                                      |                                                   |                                   | X                               |                                  |

|                                                                             |   |   |   |   |
|-----------------------------------------------------------------------------|---|---|---|---|
| Revenue Bonds                                                               |   |   | X |   |
| Special Assessment Bonds                                                    |   |   | X |   |
| <b>Alternative Service Delivery and Funding Structures</b>                  |   |   |   |   |
| Annual Appropriation / Leasehold Financing                                  |   |   |   | X |
| Commercial Property Endowment Model - Operating Foundation                  |   |   | X |   |
| Inter-Local Agreements                                                      |   | X |   |   |
| New Markets Tax Credit                                                      |   |   |   | X |
| Privatization - Outsourcing Management                                      | X |   |   |   |
| <b>Partnership Opportunities</b>                                            |   |   |   |   |
| YMCA / YWCA                                                                 |   | X |   |   |
| School Districts                                                            |   |   | X |   |
| Medical Centers / Hospitals                                                 |   |   | X |   |
| Boys and Girls Club                                                         |   |   | X |   |
| Kiwanis, Optimists, VFWs, Elks, Rotary, & other service/civic organizations |   |   | X |   |
| Chamber of Commerce                                                         |   |   | X |   |
| Convention and Visitor's Bureau                                             |   |   | X |   |
| Homeowner or Neighborhood Associations                                      | X |   |   |   |
| Youth Sports Associations                                                   | X |   |   |   |
| Adult Sports Associations                                                   | X |   |   |   |
| Neighboring counties/cities                                                 | X |   |   |   |
| Private alternative providers                                               |   |   | X |   |
| Churches (Rentals; Leases)                                                  |   |   | X |   |
| Professional Sports Teams/Organizations                                     |   |   | X |   |
| Amusement Parks (ex. Disney World)                                          |   |   | X |   |
| Sr. Citizen Groups (AARP, Silver Sneakers)                                  |   |   | X |   |

| Community Resources                       |    |   |   |  |
|-------------------------------------------|----|---|---|--|
| Advertising Sales                         | XX |   |   |  |
| Corporate Sponsorships                    |    | X |   |  |
| Fundraising/Crowdfunding                  | XX |   |   |  |
| Grants                                    |    |   |   |  |
| Facilities and Equipment Grants           | X  |   |   |  |
| General Purpose or Operating Grants       | XX |   |   |  |
| Management or Technical Assistance Grants | XX |   |   |  |
| Program-Related Investments               | XX |   |   |  |
| Matching Grants                           | X  |   |   |  |
| Planning Grants                           | X  |   |   |  |
| Private Grants and Philanthropic Agencies | XX |   |   |  |
| Program or Support Grants                 | X  |   |   |  |
| Seed Money or Start-Up Grants             | XX |   |   |  |
| Land and Water Conservation Fund          | X  |   |   |  |
| Naming Rights                             | XX |   |   |  |
| Philanthropic                             |    |   |   |  |
| Conservancies                             |    | X |   |  |
| Foundations/Gifts                         | X  |   |   |  |
| Friends Associations                      | X  |   |   |  |
| Gift Catalogs                             |    | X |   |  |
| Volunteers/In-Kind Services               | X  |   |   |  |
| Adopt-A-Park or -Trail                    | X  |   |   |  |
| Neighborhood Park Watch                   |    | X |   |  |
| Irrevocable Remainder Trusts              |    | X |   |  |
| Life Estates                              |    |   | X |  |
| Maintenance Endowments                    | X  |   |   |  |

|                                                                                         |    |   |   |   |
|-----------------------------------------------------------------------------------------|----|---|---|---|
| Raffling                                                                                |    |   | X |   |
| Recreational Trails Program (RTP)                                                       | XX |   |   |   |
| <b>Community Services Fees and Assessments</b>                                          |    |   |   |   |
| Capital Improvement Fee                                                                 | XX |   |   |   |
| Development Surcharge/Fee                                                               | X  |   |   |   |
| Dog Park Fees                                                                           | XX |   |   |   |
| Equipment Rental                                                                        | X  |   |   |   |
| Flexible Fee Strategies                                                                 | XX |   |   |   |
| Franchise Fee on Cable                                                                  |    |   | X |   |
| Lighting Fees                                                                           |    | X |   |   |
| Parking Fee                                                                             |    |   | X |   |
| Percent-for-Art Legislation                                                             |    |   | X |   |
| Processing/Convenience Fee                                                              | X  |   |   |   |
| Recreation Service Fee                                                                  |    |   | X |   |
| Recreation Surcharge Fee on Sports and Entertainment Tickets, Classes, MasterCard, Visa |    |   | X |   |
| Residency Cards                                                                         |    |   |   | X |
| Real Estate Transfer - Tax/Assessment/Fee                                               |    |   |   | X |
| Room Overrides on Hotels for Sports Tournaments and Special Events                      |    |   |   | X |
| Security and Clean-Up Fees (Deposits)                                                   | X  |   |   |   |
| Self-Insurance Surcharge                                                                |    |   | X |   |
| Signage Fees                                                                            |    |   | X |   |
| Trail Fee                                                                               |    |   |   | X |
| Utility Roundup Programs                                                                |    |   | X |   |
| <b>Contractual Services</b>                                                             |    |   |   |   |
| Cell Towers and Wi-Fi                                                                   | X  |   |   |   |
| Concession Management                                                                   | X  |   |   |   |



|                                                                |    |   |   |     |
|----------------------------------------------------------------|----|---|---|-----|
| Merchandising Sales or Services                                | X  |   |   |     |
| Private Concessionaires                                        | X  |   |   |     |
| <b>Permits, Licensing Rights, and Use of Collateral Assets</b> |    |   |   |     |
| Agricultural Leases                                            | X  |   |   |     |
| Booth Lease Space                                              | X  |   |   |     |
| Catering Permits and Services                                  | XX |   |   |     |
| Film Rights                                                    | X  |   |   |     |
| Land Swaps                                                     |    |   | X |     |
| Leasebacks on Recreational Facilities                          |    | X |   |     |
| Licensing Rights                                               |    | X |   |     |
| Manufacturing Product Testing and Display                      |    | X |   |     |
| Private Developers                                             |    |   | X |     |
| Recycling Centers                                              |    |   |   | X   |
| Rental Houses and Buildings for Private Citizens               |    |   |   | X   |
| Sale of Development Rights                                     |    |   | X |     |
| Sale of Mineral Rights                                         |    |   | X |     |
| Special Use Permits                                            | X  |   |   |     |
| Subordinate Easements - Recreation/Natural Area Easements      |    |   | X |     |
| Surplus Sale of Equipment by Auction                           | XX |   |   |     |
| <b>Funding Resources and Other Options</b>                     |    |   |   |     |
| Enterprise Funds                                               | X  |   |   |     |
| Land Trusts                                                    |    |   | X |     |
| Positive Cash Flow                                             | X  |   |   |     |
| Cost Avoidance                                                 | X  |   |   |     |
| State Park Funding Ideas                                       |    |   |   | N/A |
| <b>Cost Saving Measures</b>                                    |    |   |   |     |
| Changing maintenance standards and practices                   | XX |   |   |     |

|                                                            |    |   |   |   |
|------------------------------------------------------------|----|---|---|---|
| Contract renegotiation                                     | XX |   |   |   |
| Cost Avoidance                                             | XX |   |   |   |
| <b>Green Trends and Practices</b>                          |    |   |   |   |
| Rooftop gardens and park structures                        |    |   |   | X |
| Use light, water, and motion sensors                       | X  |   |   |   |
| Conduct energy audits                                      | X  |   |   |   |
| Update to energy efficient ballasts, motors, appliances    | X  |   |   |   |
| Use electric and hybrid vehicles                           | X  |   |   |   |
| Develop "Pack It Out" trash program                        |    |   | X |   |
| Use greywater                                              | X  |   |   |   |
| Use solar and wind energy                                  | XX |   |   |   |
| Green operating practices                                  | XX |   |   |   |
| <b>Administrative</b>                                      |    |   |   |   |
| Recycle Office Trash                                       | X  |   |   |   |
| Clean offices less frequently                              |    |   | X |   |
| Go Paperless                                               |    |   | X |   |
| Conserve Resources                                         | XX |   |   |   |
| Flex Scheduling                                            |    |   |   | X |
| Virtual Meetings                                           |    |   | X |   |
| <b>Operating Standards</b>                                 |    |   |   |   |
| Preventative Maintenance                                   | X  |   |   |   |
| Reduce Driving                                             | X  |   |   |   |
| Eliminate Environmentally Negative Chemicals and Materials | XX |   |   |   |
| Green Purchasing Policies                                  | XX |   |   |   |
| LEED® Design Principles                                    |    | X |   |   |
| Purchase better equipment - less maint.                    | X  |   |   |   |

|                                                                        |  |  |   |  |
|------------------------------------------------------------------------|--|--|---|--|
| Sustainable Stewardship                                                |  |  |   |  |
| Re-analyze and Revised Practices and Standards                         |  |  | X |  |
| Monitor and Report Results                                             |  |  | X |  |
| Lead by Example                                                        |  |  | X |  |
| Public Education                                                       |  |  | X |  |
| Incorporate Stewardship Principles in all Park and Recreation Services |  |  | X |  |
| Seek Available Grant Funding and Initiative Awards                     |  |  | X |  |