

# REQUEST FOR COUNCIL ACTION



**CITY COUNCIL MEETING DATE:**

**NOVEMBER 17, 2020**

**TITLE:**

**ADOPT A RESOLUTION APPROVING THE  
COST RECOVERY POLICY FOR THE  
PARKS, RECREATION AND COMMUNITY  
SERVICES AGENCY**

**/s/ Kristine Ridge**

**CITY MANAGER**

**CLERK OF COUNCIL USE ONLY:**

**APPROVED**

- ☐ As Recommended
- ☐ As Amended
- ☐ Ordinance on 1<sup>st</sup> Reading
- ☐ Ordinance on 2<sup>nd</sup> Reading
- ☐ Implementing Resolution
- ☐ Set Public Hearing For \_\_\_\_\_

**CONTINUED TO** \_\_\_\_\_

**FILE NUMBER** \_\_\_\_\_

## **RECOMMENDED ACTION**

Adopt a resolution approving the cost recovery policy for the Parks, Recreation and Community Services Agency.

## **DISCUSSION**

On September 15, 2020, the City Council received and approved the Parks, Recreation and Community Services Agency (PRCSA) Service and Financial Sustainability Study. Through the action of receiving and approving the study, and a strategy for implementation of recommendations, the City Council accepted the use of the tools, methods, and strategies the Parks, Recreation and Community Services Agency (PRCSA) requires to sustain itself for the long-term.

The PRCSA does not have a current cost recovery policy. Until now, there has not been a full understanding of cost recovery concepts, and there is inconsistent application of program and service costs. There is lack of adequate philosophy based on the mission of the PRCSA to establish adequate and non-conflicting cost recovery targets.

The proposed policy (Exhibit 1) sets forth the underlying principles of the Cost Recovery Philosophy and service pricing approach. Key elements include the following:

1. Basic level of service is "free" (supported by tax revenues)
2. Fees are a responsible and necessary supplement
3. Community benefit – Use of tax dollars
4. Individual benefit – Use of fees
5. Greater individual benefit – lower rate of tax subsidy
6. The policy considers economic climate, alternative providers, and market rate
7. Fee reductions available for economic need

A Service and Financial Sustainability Study Implementation Plan (Exhibit 2) outlines 43 goals and objectives that will be implemented over the next several years, setting a direction for the PRCSA based on the principles and best practice business tools contained within the report. PRCSA sorted all of the recommended goals and objectives into two categories. Category 1 consists of strategies and recommendations that can be implemented within the purview of the City Manager's delegated authority. Category 2 includes strategy recommendations that require City Council policy changes and/or other approval prior to implementation.


**FISCAL IMPACT**

There is no direct fiscal impact associated with this action.

Submitted By: Lisa Rudloff, Executive Director – Parks, Recreation, and Community Services Agency

Exhibits:

1. Cost Recovery Policy for Park, Recreation and Community Services Agency
2. Parks, Recreation and Community Services Agency Service and Financial Sustainability Study Implementation Plan
3. Resolution approving a cost recovery policy for the Parks, Recreation and Community Services Agency

 <p style="text-align: center;"><b>City of Santa Ana</b> <b>Policies and Procedures</b></p>	<b>City Council Approval</b>	
	<b>Section:</b>	
<p style="text-align: center;"><b>PARKS, RECREATION AND COMMUNITY SERVICES AGENCY COST RECOVERY POLICY</b></p>	<b>Date Approved:</b>	<b>Number:</b>

The Parks, Recreation and Community Services Agency ("PRCSA") has the following cost recovery policy:

1. As a publicly financed park system, PRCSA provides a basic level of service free to the public in exchange for tax dollars; and
2. 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; and
3. When establishing fees and charges, the PRCSA will determine the direct costs of providing services and establish goals to recover those costs; and
4. 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; and
5. As the benefit is 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, equipment exclusively used by visitors, and products and services that may be purchased, provide examples where user fees are appropriate; and
6. PRCSA shall also consider available resources, public need, public acceptance, and the economic climate of the community when establishing fees and charges; and
7. In cases where certain programs and facilities are highly specialized by activity and design, and appeal to a select user group, the PRCSA shall additionally consider reasonable fees charged by alternative service providers or market rates; and

8. Fees and charges for use of property can be set to recover costs in excess of direct and indirect costs, where appropriate (such as market rate for rental of certain City facilities) and consistent with applicable law; and
9. The PRCSA may subsidize the cost recovery objective of services for persons with economic need or other targeted populations, as determined by policy of the City Council, through tax-supported fee reductions, scholarships, grants, or other methods; and
10. The City Council may also approve exceptional fees or fee waivers upon determination that the fee arrangements will benefit the public interest.

PRCSA Cost Recover Policy Statement Adopted November 17, 2020 by Resolution No. 2020-0XX

# **Park, Recreation and Community Services Agency Service and Financial Sustainability Study**

**55C-5**

## **IMPLEMENTATION PLAN**

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**OCTOBER 20, 2020**



# Exhibit 2 Implementation Strategy for Plan Recommendations

In March 2019, the City Council authorized the Parks, Recreation and Community Services Agency (PRCSA) to develop a Cost Recovery, Resource Allocation and Revenue Enhancement Plan (Plan). The purpose of the Plan is to promote organization sustainability that supports the core values, vision, and mission of the PRD and its community. The Plan, prepared by GreenPlay, LLC, outlines a recommended policy statement with over 43 goals and objectives that will be implemented over the next several years, setting a direction for the PRCSA based on the principles and best practice business tools contained within the report.

For implementation purposes, the PRCSA has grouped the consultant recommendations into two categories.

## Category 1 Strategies

Recommendations that can be implemented with the purview of the City Manager's delegated authority.

## Category 2 Strategies

Recommendations that require City Council policy changes or other approvals prior to implementation.

Category 1 strategies will be prioritized, pursued, researched, and implemented at the staff level as determined feasible and beneficial to cost recovery goals.

Category 2 strategies will be prioritized, pursued, researched, and brought to City Council for approval prior to implementation. As this is a multi-year plan approach, prioritization of the Category 2 strategies will be planned with the Council as resources allow.



Strategy	Goals	Objectives <b>Exhibit 2</b>
<p>Strategy 1:</p> <p>Service and Financial Strategies</p> <p>55C-7</p>	<p>1. Develop targets and a timeframe for identifying cost recovery goals (FY 2020-21).</p>	<p>1.1: Identify a methodology for tracking program cost and determine the typical and measureable direct and indirect cost that will be tracked.</p> <p>1.2: Over the next three to six months, in preparation for the FY2021-2022 budget:</p> <p>1.2.1: Identify policy revisions during the budget preparation process.</p> <p>1.2.2: Identify and implement opportunities for fiscal adjustments such as fee changes, program elimination or collaboration, and/or expense reduction.</p> <p>1.2.3: Continue to analyze programs and implement fiscal adjustments based on methodology.</p> <p>1.2.4 Refine methodology and analysis based on lessons learned.</p>

## Strategy

## Goals

## Objectives

### Exhibit 2

Strategy 1:  
Service  
and  
Financial  
Strategies

1. Develop targets and a  
timeframe for identifying  
cost recovery goals (FY  
2020-21).

1.3: Define all of the expenses considered  
“direct costs” vs. “indirect costs” for programs  
and services. Expand use of existing budgeting,  
project, and time management tools to track  
actual costs over the next year. Determine the  
most efficient way to assign costs to programs  
and services.

1.4: Use the Cost Recovery and Resource  
Allocation Philosophy and Model as the  
foundation for business planning; articulating  
the philosophy and process in a Business Plan  
approach.

Strategy	Goals	Objectives <b>Exhibit 2</b>
Strategy 1:  Service and Financial Strategies	1. Develop targets and a timeframe for identifying cost recovery goals (FY 2020-21).	<div>1.5: Adjust fees to reflect the PRCSA cost recovery philosophy, being sensitive to fee tolerance, and implementing over time as necessary. Consider annual incremental price increases to keep up with rising costs, as necessary, allowing Team Members to respond to market conditions, opportunities, and service demands in a timely manner.</div> <div>1.6: Ensure long-term sustainability by focusing taxpayer funding on those services producing the widest community benefit, using the pyramid. Consider return on investment, number of participants served, and cost per participant covered by tax revenues as criteria for evaluation of all services.</div> <div>1.7: Assign a project champion or champions and an Implementation Team to keep the focus on the goals and recommendations of the study.</div>

Strategy	Goals	Objectives <b>Exhibit 2</b>
<p>Strategy 2: Service Portfolio and Management</p> <p><b>55C-10</b></p>	<p>2. Pursue program growth/divest strategies using recommendations from the Plan.</p>	<p>2.1: Use the Public Sector Services Assessment as the foundation for business planning for programming efforts, articulating the philosophy and process in a Business Plan approach. Update the services assessment and review portfolio of services annually. Tie review appropriately to budget preparation schedule.</p> <p>2.2: Establish and adhere to evaluation criteria, such as minimum enrollment, program lifecycle status, and waiting lists, for making decisions as to holding, continuing, or expanding a program and require annual reporting regarding that criteria, for longer term decision-making purposes. Monitor registration, attendance figures, and cost recovery goals on an ongoing basis. Cancel and replace under-performing services.</p> <p>2.3: Implement service provision strategies identified through the Services Assessment.</p>

Strategy	Goals	Objectives Exhibit 2
<p>Strategy 3:</p> <p>Policy and Administration</p>	<p>3. Identify policies and procedures to revise or develop, allowing Team Members to achieve appropriate cost recovery targets.</p>	<p>3.1: Seek acceptance or approval of the Resource Allocation and Cost Recovery Philosophy, Model, and Policy Statement by Agency Leadership, City Leadership, PRCSA Commission and the City Council.</p> <p>3.2: Review fees and charges for program and facility services annually making minor adjustments as allowed at the Director level and recommending adjustments as part of the formal budgeting process.</p> <p>3.3: Develop a comprehensive Sponsorship Policy.</p> <p>3.4: Develop a comprehensive Partnership Policy providing guidelines that can be used throughout the City organization.</p>

Strategy	Goals	Objectives <b>Exhibit 2</b>
<p>Strategy 3:</p> <p>Policy and Administration</p>	<p>3. Identify policies and procedures to revise or develop, allowing Team Members to achieve appropriate cost recovery targets.</p>	<p>3.5: As pricing is adjusted, ensure that Youth Services Scholarship opportunities are known to those who qualify and remain adequately funded as the City pursues an increase in cost recovery levels. Seek and designate additional funding sources including excess revenues generated by the Agency.</p> <p>3.6: Use Resource Allocation and Cost Recovery Philosophy, Model, and Policy and the Services Assessment Tools as Team Member training tools. Incorporate specific recommendations for use of the tools and recommendations/decision making into annual Team Member work plans holding Team Members responsible for taking appropriate steps each year to complete the Service Assessment and Alternative Provider Spreadsheets; recommend indicated service strategies and actions to achieve indicated cost recovery targets.</p>

Strategy	Goals	Objectives <b>Exhibit 2</b>
<p>Strategy 4:</p> <p>Cost Savings and Cost Avoidance</p>	<p>4. Identify practices and analysis methods for service planning and provision to consistently ensure the most cost-effective use of resources.</p>	<p>4.1: Continue to review internal management practices and identify and use cost savings practices producing cost effective results. Consider efficiencies, simplifying processes, placing approval/decision-making authority at appropriate levels, and providing periodic management reports using information generated in this process, among other strategies.</p> <p>4.2: Continue to maintain current capital and maintenance management plans, appropriately budgeting for ongoing operating expenses.</p>

Strategy	Goals	Objectives <b>Exhibit 2</b>
<p>Strategy 5:</p> <p>Revenue Enhancement</p>	<p>5. Identify new sources of revenues, including alternative funding ideas, and explore their potential to increase or contribute to overall financial sustainability.</p>	<p>5.1: Explore alternative funding sources that strategically align with targeted services by identifying ideas during each budget cycle from the Parks and Recreation Funding Sources listing provided to Team Members and formulate a work team to explore the pros, cons, and potential outcomes.</p> <p>5.2: Expand alternative funding for strategic initiatives through grants for new and existing projects such as healthy and active living initiatives; trail development; cultural, historic preservation, and natural resource projects; and environmental and sustainability efforts.</p>

Strategy	Goals	Objectives <b>Exhibit 2</b>
<p>Strategy 5:</p> <p>Revenue Enhancement</p>	<p>5. Identify new sources of revenues, including alternative funding ideas, and explore their potential to increase or contribute to overall financial sustainability.</p>	<p>5.3: Review procurement and other policies to maximize the ability to pursue alternative revenues such as grants, sponsorships, and permit fees, while ensuring that the cost to pursue these revenues does not exceed the benefit received.</p> <p>5.4: Explore the opportunities for and use of sponsorships, in accordance with an approved Sponsorship Policy. Complete a valuation of park assets and develop a list of potential park facility sites, programs, services and events, and other amenities to consider for sponsorship. Assignment of staffing will be necessary for a successful sponsorship effort.</p>

Strategy	Goals	Objectives
<p>Strategy 6: Evaluation and Performance Measures</p>	<p>6. Following the identification of Tier targets the first year of implementation will allow adjustment of fees as indicated by the Model. It will also allow for Team Members and City Council to see the implications on overall cost recovery; identify any currently unknown market, historical, and political filters; and allow Team Members to experience using the methodology.</p>	<p>6.1: Following a one-year pilot implementation of the model and policy, assess results; thereafter, review the impact on an annual basis.</p> <p>6.2: Use both internal and external data to create performance measures.</p> <p>6.2.1: Conduct cost benefit analysis of programs by evaluating participation, waiting lists, cancellation rates, and rate of repeat customers.</p> <p>6.2.2: Conduct pre and post assessments of accessibility, impact to participants, and community wellness.</p> <p>6.2.3: Benchmark performance by conducting assessments of effectiveness using:</p> <p>6.2.4: Self-benchmarking.</p> <p>6.2.5: Surveys.</p> <p>6.2.6: Commission for Accreditation of Parks and Recreation Agencies (CAPRA) Accreditation standards.</p> <p>6.2.7: National Recreation and Park Association National Gold Medal Award winning cities or agencies in the similar population category.</p>

Strategy	Goals	Objectives
<p>Strategy 6: Evaluation and Performance Measures</p>	<p>6. Following the identification of Tier targets the first year of implementation will allow adjustment of fees as indicated by the Model. It will also allow for Team Members and City Council to see the implications on overall cost recovery; identify any currently unknown market, historical, and political filters; and allow Team Members to experience using the methodology.</p>	<p><b>Exhibit 2</b></p> <p>6.3: Establish program performance measures and base divisional work plans and individual goals on performance measures.</p> <p>6.4: Establish a formalized, Agency-wide program and service evaluation; conduct periodic program surveys to evaluate public perspective in reaching desired program outcomes.</p>

RESOLUTION 2020-XXX

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SANTA ANA  
APPROVING A COST RECOVERY POLICY FOR THE PARKS, RECREATION AND  
COMMUNITY SERVICES AGENCY

WHEREAS, in March 2019, the City's Parks, Recreation and Community Services Agency ("PRCSA") retained a consultant Greenplay, LLC ("Consultant") to assess all PRCSA programs and deliver a service and financial sustainability study to the City.

WHEREAS, on September 15, 2020, the City Council was presented the final Service and Sustainability Report ("the report") prepared by the Consultant.

WHEREAS, one of the recommendations contained in the report was for the City to adopt a formal policy regarding pricing and cost recovery for PRCSA programs.

WHEREAS, the Consultant recommends a cost recover policy as a strong foundation for sustainable financial management strategies. According to the City's Consultant, the policy will allow staff to (1) recognize where a subsidy is being applied, and determine whether it is at an appropriate level; (2) justify a pricing schedule, including fees for existing and new services; and (3) evaluate service delivery mechanisms, all to maximize services to the public while assuring equity in service delivery; and

WHEREAS, the PRCSA in consultation with the City's Consultant has created a cost recovery policy.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Santa Ana, that:

Section 1. The City Council for the City of Santa Ana hereby finds, declares, and determines as follows that the City Council approves the Parks, Recreation & Community Services Agency Cost Recovery Policy attached hereto as Exhibit A.

Section 2. This Resolution shall take effect immediately upon its adoption by the City Council, and the Clerk of the Council shall attest to and certify the vote adopting this Resolution.

ADOPTED this \_\_\_\_ day of November, 2020.

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Miguel A. Pulido  
Mayor

APPROVED AS TO FORM:  
Sonia R. Carvalho, City Attorney

By: Laura A. Rossini  
Laura A. Rossini  
Acting Chief Assistant City Attorney


AYES: Councilmembers \_\_\_\_\_  
NOES: Councilmembers \_\_\_\_\_  
ABSTAIN: Councilmembers \_\_\_\_\_  
NOT PRESENT: Councilmembers \_\_\_\_\_

**CERTIFICATE OF ATTESTATION AND ORIGINALITY**

I, DAISY GOMEZ, Clerk of the Council, do hereby certify the attached Resolution No.  
2020 -XXX to be the original resolution adopted by the City Council of the City of Santa Ana on  
\_\_\_\_\_, 2020.

Date: \_\_\_\_\_

\_\_\_\_\_  
Clerk of the Council  
City of Santa Ana

 <p style="text-align: center;"><b>City of Santa Ana</b> <b>Policies and Procedures</b></p>	<b>City Council Approval</b>	
	Section:	
<b>PARKS, RECREATION AND COMMUNITY SERVICES AGENCY COST RECOVERY POLICY</b>	Date Approved:	Number:

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PRCSA Cost Recover Policy Statement Adopted November 17, 2020 by Resolution No. 2020-0XX