

The Smart Approach to Cost Recovery



# Smart Approach to Cost Recovery

Beneficiary of Service Work session





# The Illinois Cohort

- ❖ *Channahon Park District*
- ❖ *Downers Grove Park District*
- ❖ *Oswegoland Park District*





The Smart Approach to Cost Recovery



# amilia

## The Smart Approach Consulting Team





# Agenda

- 1. Cost recovery strategy –“why”?**
- 2. The “how” – process review**
- 3. Thoughts? Questions?**
- 4. Beneficiary of Service exercise**
- 5. Thoughts? Questions?**





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# Parks & Reconomics<sup>©</sup>

How parks and recreation manages finite resources.





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**Are you  
smart about  
managing  
money?**





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# What is cost recovery?





## ***Cost recovery:***

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





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# What is subsidy?





## ***Subsidy:***

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





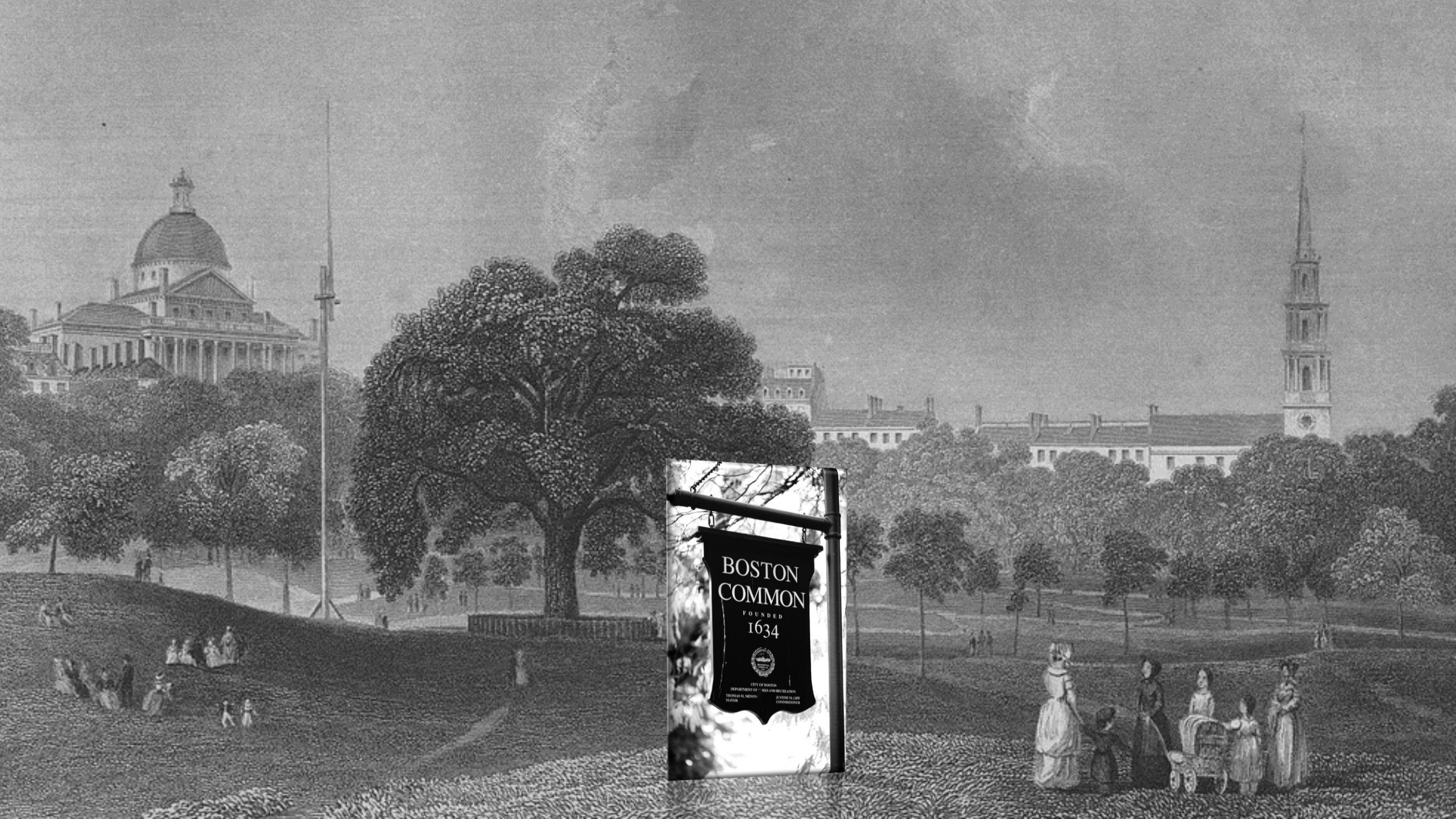
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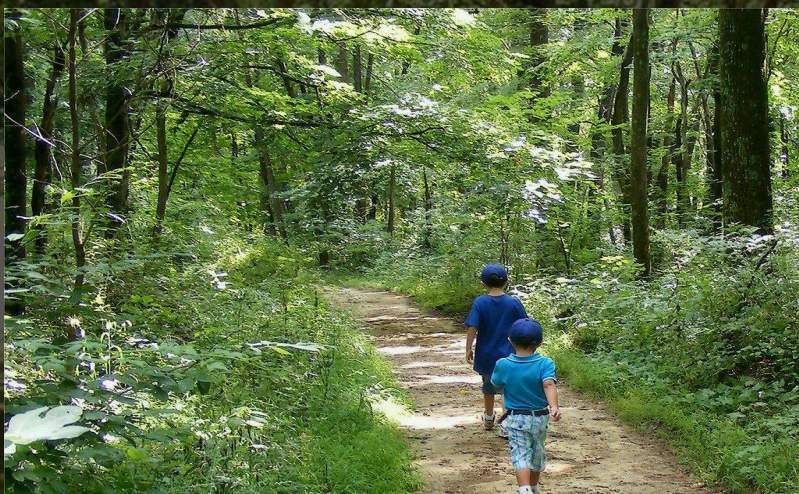
# Context













## The public sector's balance sheet

Expenditures +2.8%

Revenues +1.3%



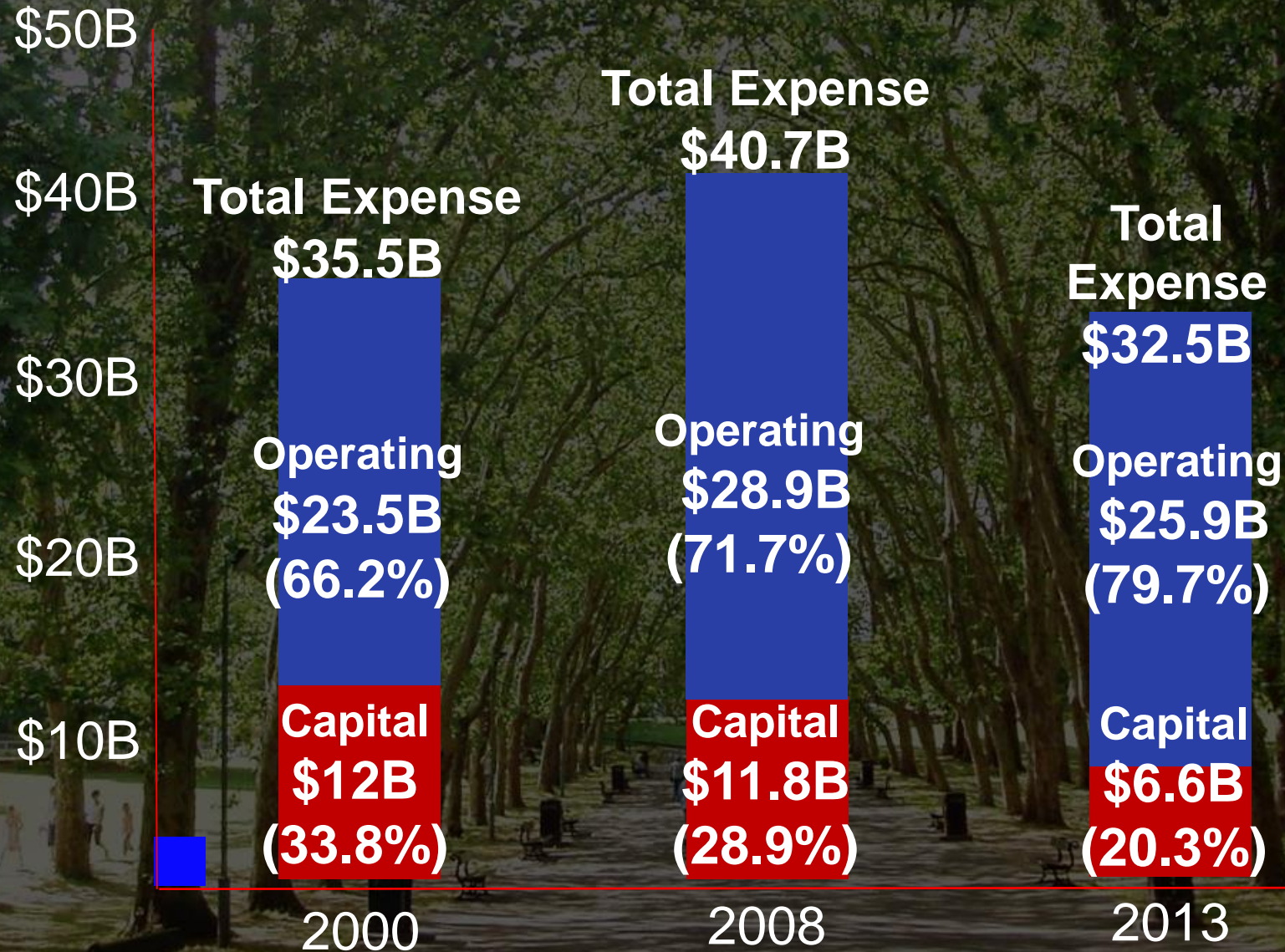


# The Great Recession's Profound Impact on Parks & Recreation

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









- ✓ 66% of agencies are facing operational budget reductions (median reduction = 10-19%).
- ✓ Nearly 20% of agencies are reducing operations spending by at least 30%.
- ✓ 57% of agencies are facing capital budget reductions (median reduction = 50-59%).
- ✓ 20% of agencies report that their capital budget has been zeroed out.

Source: NRPA Parks Snapshot: June 24-26, 2020 Survey Results



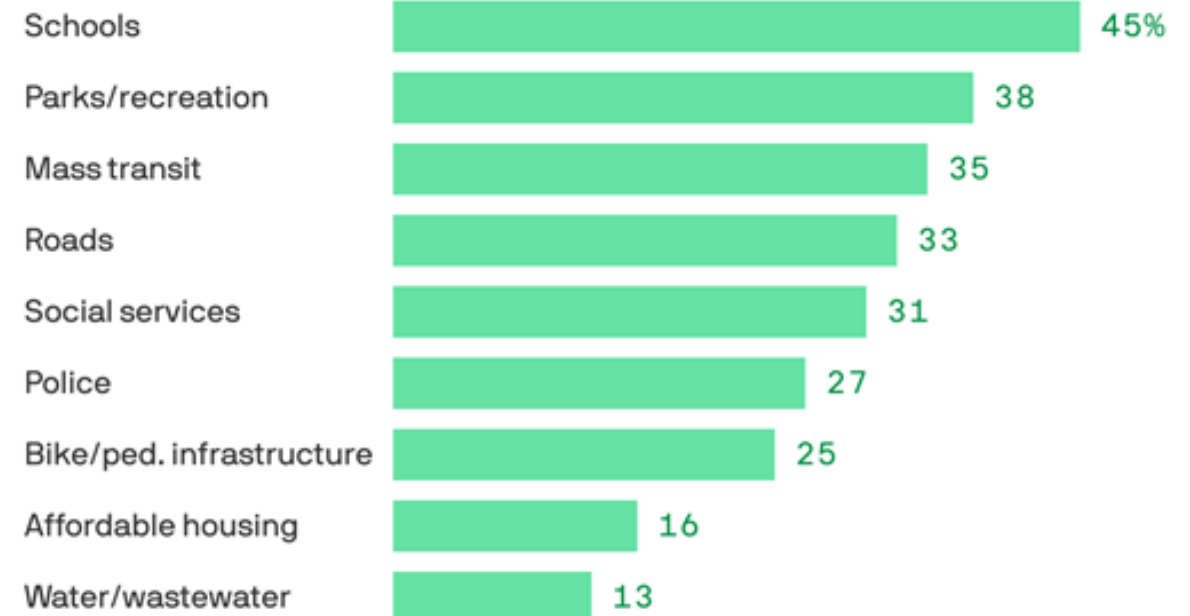


- The Menino Survey of Mayors is conducted annually by Boston University's Initiative on Cities.
- This year, 45% of mayors foresee "dramatic" cuts to school budgets, while 38% expect big cuts to parks and recreation and 35% to mass transit.

Source: Merino Survey of Mayors: December 3, 2020

In which of the following areas do you expect to make or see dramatic financial cuts in your community?

2020 Menino survey of 130 city mayors



Data: Menino Survey of Mayors; Chart: Axios Visuals



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

**BUDGET CUTS.**

January 4, 2021





**Economic uncertainty**  
**Public health crisis**  
**Social unrest & chaos**  
**Increasing disparities/needs**  
**Lack of revenue diversification**  
**Limited financial literacy**  
**Maintenance backlogs**  
**Uninformed constituencies**  
**Unreasonable expectations**  
**Staffing deficiencies**  
**Struggling competitors/partners...**



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





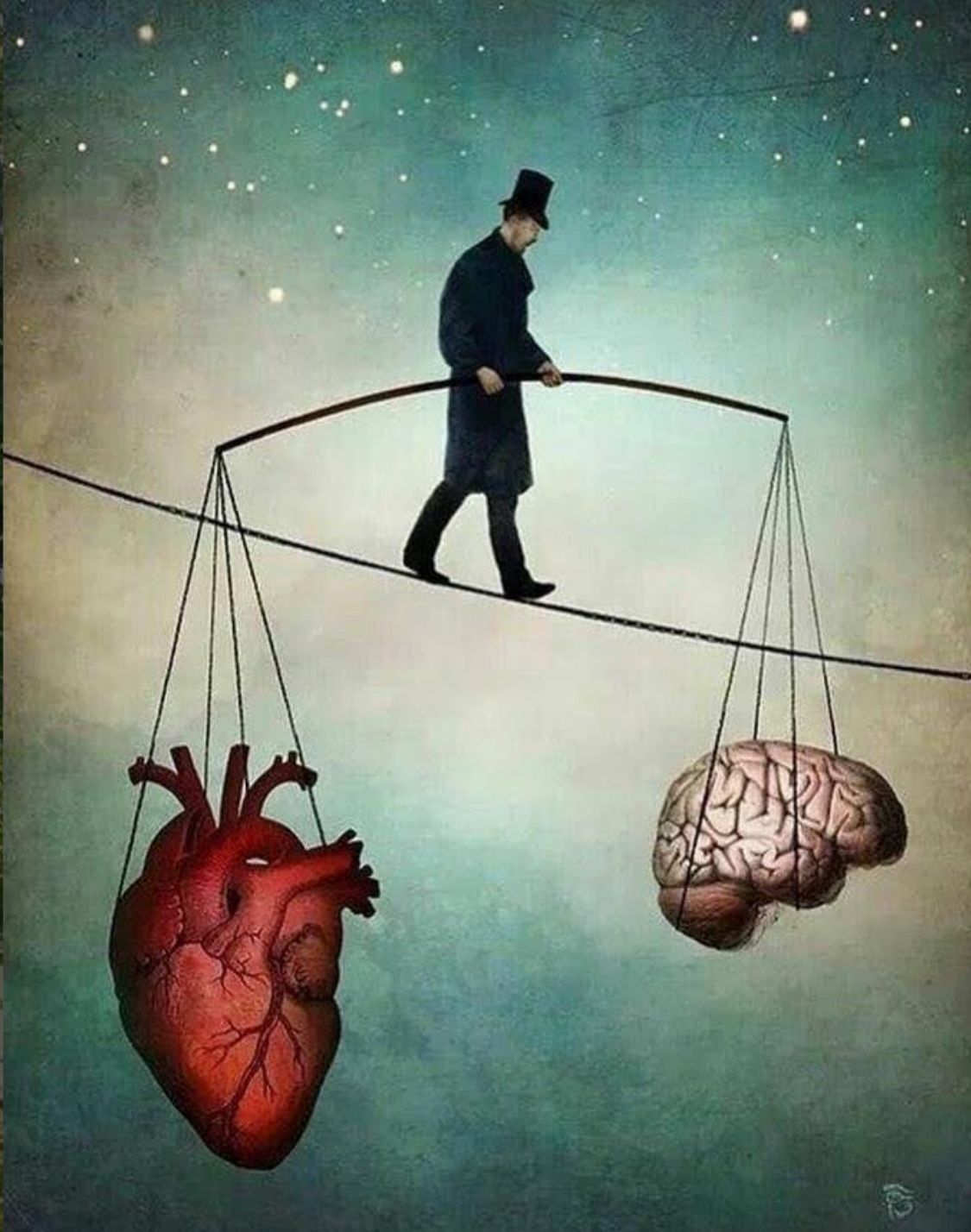


**REALITY**

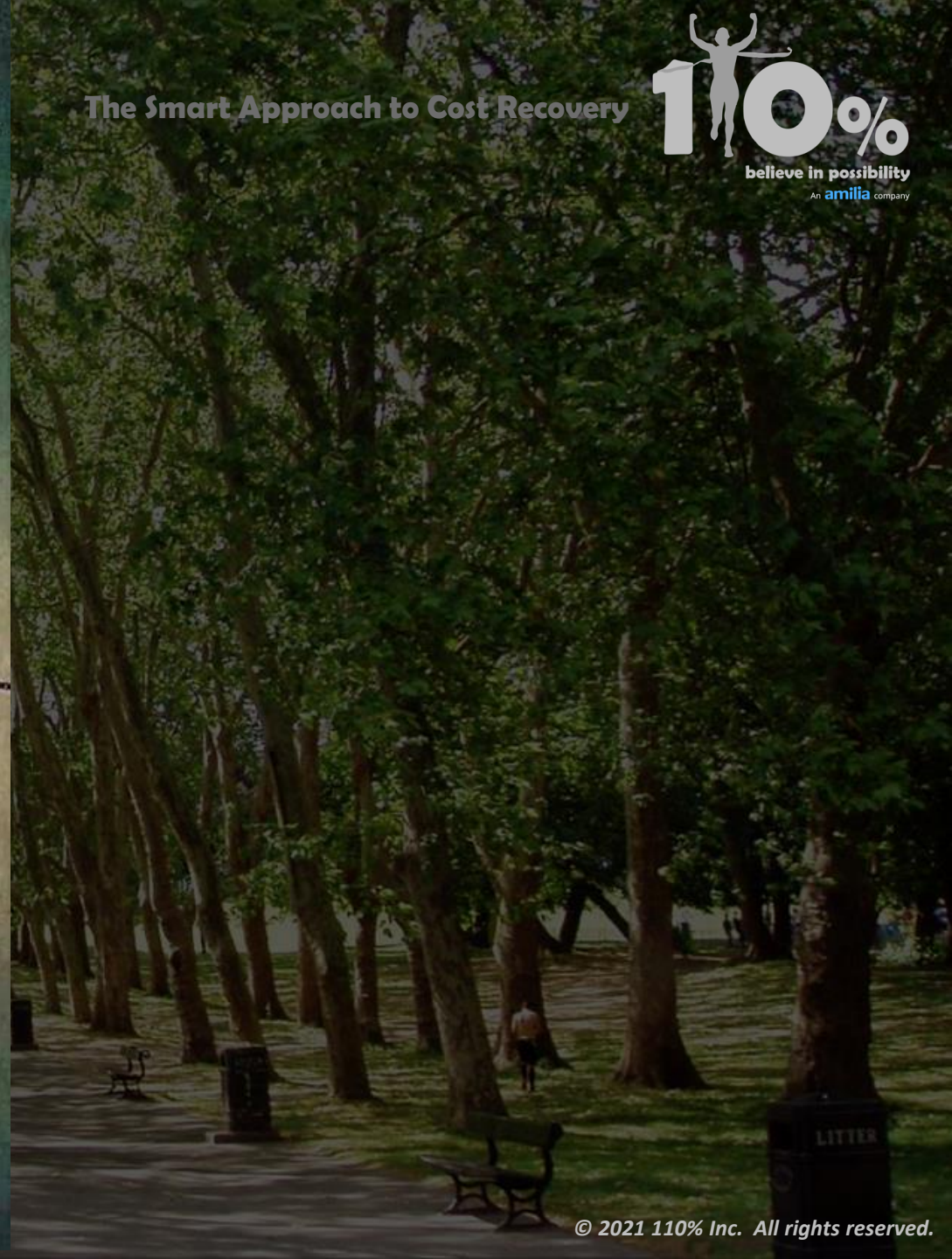


**POLICY**





The Smart Approach to Cost Recovery





# The 3-legged stool

Tax Investment/Revenue  
Enhancement Philosophy

Service  
categories

Beneficiary  
of  
service

Cost  
of  
service





# The 3-legged stool

Tax Investment/Revenue  
Enhancement Philosophy

Service  
categories





## Youth Sports

(t-ball)

**Cost recovery  
goal = 50%?**



**Vs.**

## Seniors

(learn to swim)

**Cost recovery  
goal = 25%?**



**Vs.**

## Dance

(Intro to ballet)

**Cost recovery  
goal = 75%?**





Service Category:

# Beginner Level Activities

**Similar purpose = Same CR goal**

---



&



&







## Service Categories

**Community Events:** Large scale events which are open to participation regardless of age, ability, family composition, etc. Examples include:

- 4<sup>th</sup> of July
- Winter Wonderland

**Competitive Activities:** Activities, leagues, and clinics that are designed to be competitive in nature and where scoring is kept. Examples include:

- Soccer, flag football leagues
- Adult basketball leagues

**Customized/Personalized Use:** Specialized individual or small group activity designed and led in order to meet a specific interest. Examples include:

- Semi-private and personal training
- Semi-private and private lessons

**Drop-in Activities:** Access to recreation facilities and amenities where activity is self-directed by the user. Activity does not require registration but includes supervision or oversight by staff and/or volunteers. Examples include:

- Open gym
- Indoor pickleball
- Weightlifting/cardio
- Walking track

**Instructional Activities:** Activities, leagues, and clinics that are led or instructed to be foundational in nature and introduce the basics of a particular skill. Examples include:

- Tumbling
- Basketball Clinics
- Arts and Crafts Classes
- Volleyball Bootcamp
- CPR
- Babysitting Classes

**Open Access:** Access to parks and park amenities where activity is self-directed by the user. These services do not include supervision or oversight. Examples include:

- Parks
- Playgrounds
- Splashpads
- Outdoor courts
- Trails

**Rentals:** Facility reservations for exclusive use by an individual or group. Examples include:

- Gym rentals
- Pavilion rentals
- Ballfield rentals
- Multi-purpose room rentals

**Resales:** Consumable and non-consumable goods for purchases at various parks and recreation facilities. Examples include:

- Food & beverage sales
- Merchandise sales

**Special Events/Trips:** Events designed to appeal to a specific interest group or target market. Examples include:

- Teen trips – e.g., rock climbing
- Adult trips – e.g., casino trip
- Races – e.g., Frosty 5, Fierce Fiesta
- Princess Ball
- Job Fair

**Specialized Business Services:** Operations that are commercial in nature, are responsive to the “laws of market supply and demand”, and commonly provided by the non-profit and/or private sectors. Examples include:

- Heritage Bluffs Golf Course
- Tomahawk Aquatic Center





# The 3-legged stool

Tax Investment/Revenue  
Enhancement Philosophy

Service  
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Beneficiary  
of  
service





Service Area:  
**Aquatics**  
**CR goal = 50%**

**Learn to Swim**  
**Cost recovery goal**  
**= 50%?**

**&**

**Masters Swim**  
**Cost recovery goal**  
**= 50%?**





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Service Category:  
**Beginner Level  
Activities**

Service Category:  
**Competitive  
Level Activities**

**Vs.**





## BENEFICIARY OF SERVICE

A financial resource allocation philosophy provides a foundation for differentiating services based on “who benefits” and “who should pay”. Economists have differentiated goods and services in the economy in this manner for decades.

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



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

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

Please rank the District’s Service Categories starting from the category that aligns most with the “Common Good” (#1) to the category that most provides for an “Individualized” benefit (#10). During this exercise, avoid any discussion involving funding, fees, etc. *Focus ONLY on beneficiary of service.*

- |          |           |
|----------|-----------|
| 1. _____ | 6. _____  |
| 2. _____ | 7. _____  |
| 3. _____ | 8. _____  |
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## BENEFICIARY OF SERVICE – glossary of relevant terms

### Accessible services

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

### Barriers/constraints to access

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

### Community need

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

### Community interests/wants

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

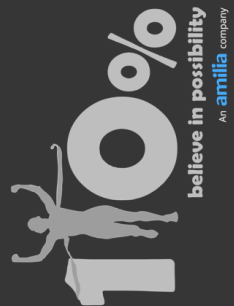
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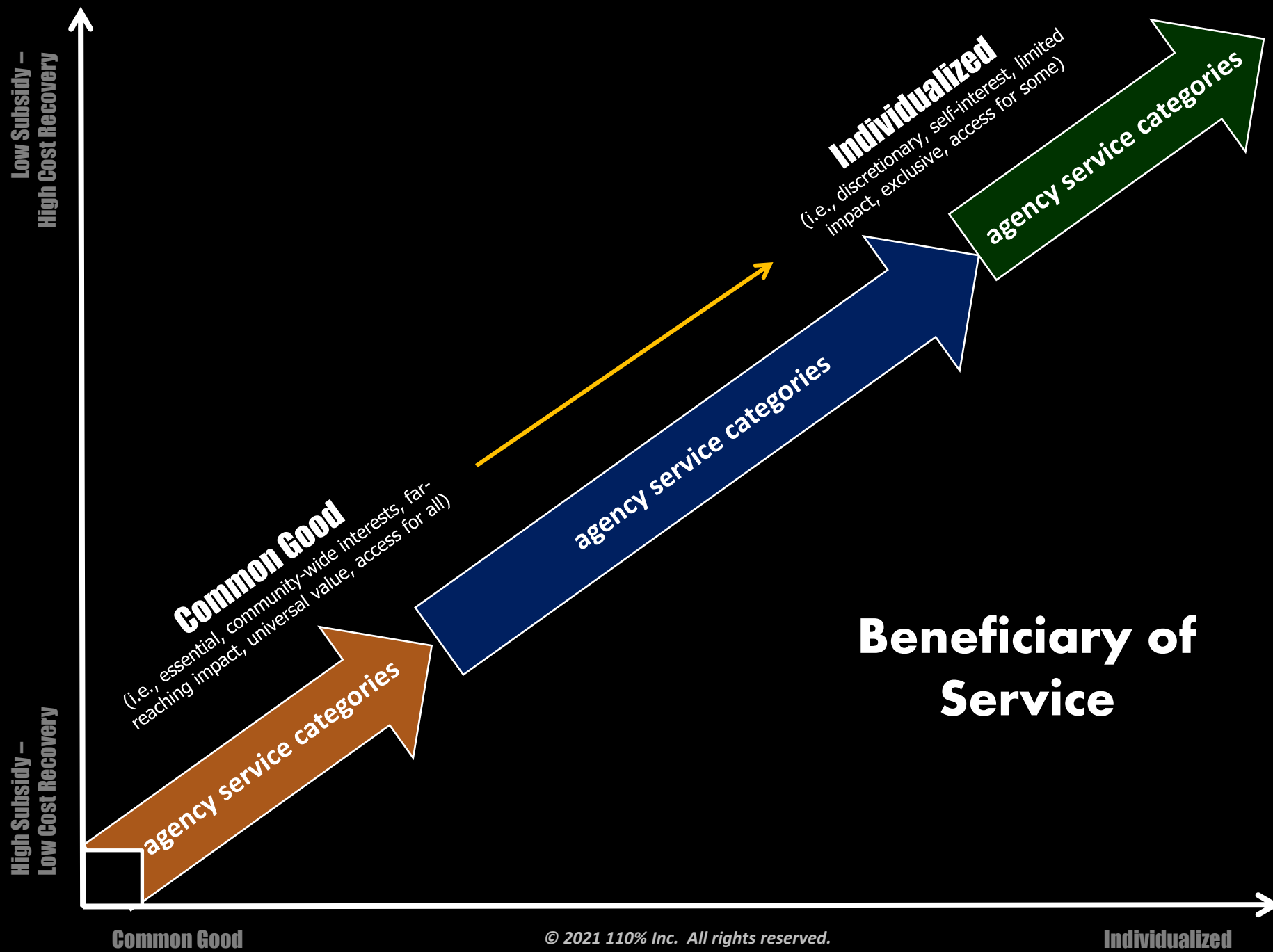
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# The Cost Recovery Continuum





# The 3-legged stool

Tax Investment/Revenue  
Enhancement Philosophy

Service  
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Beneficiary  
of  
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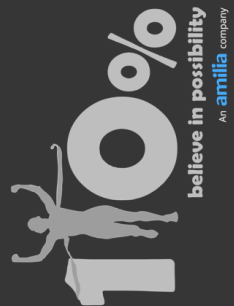
Cost  
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service



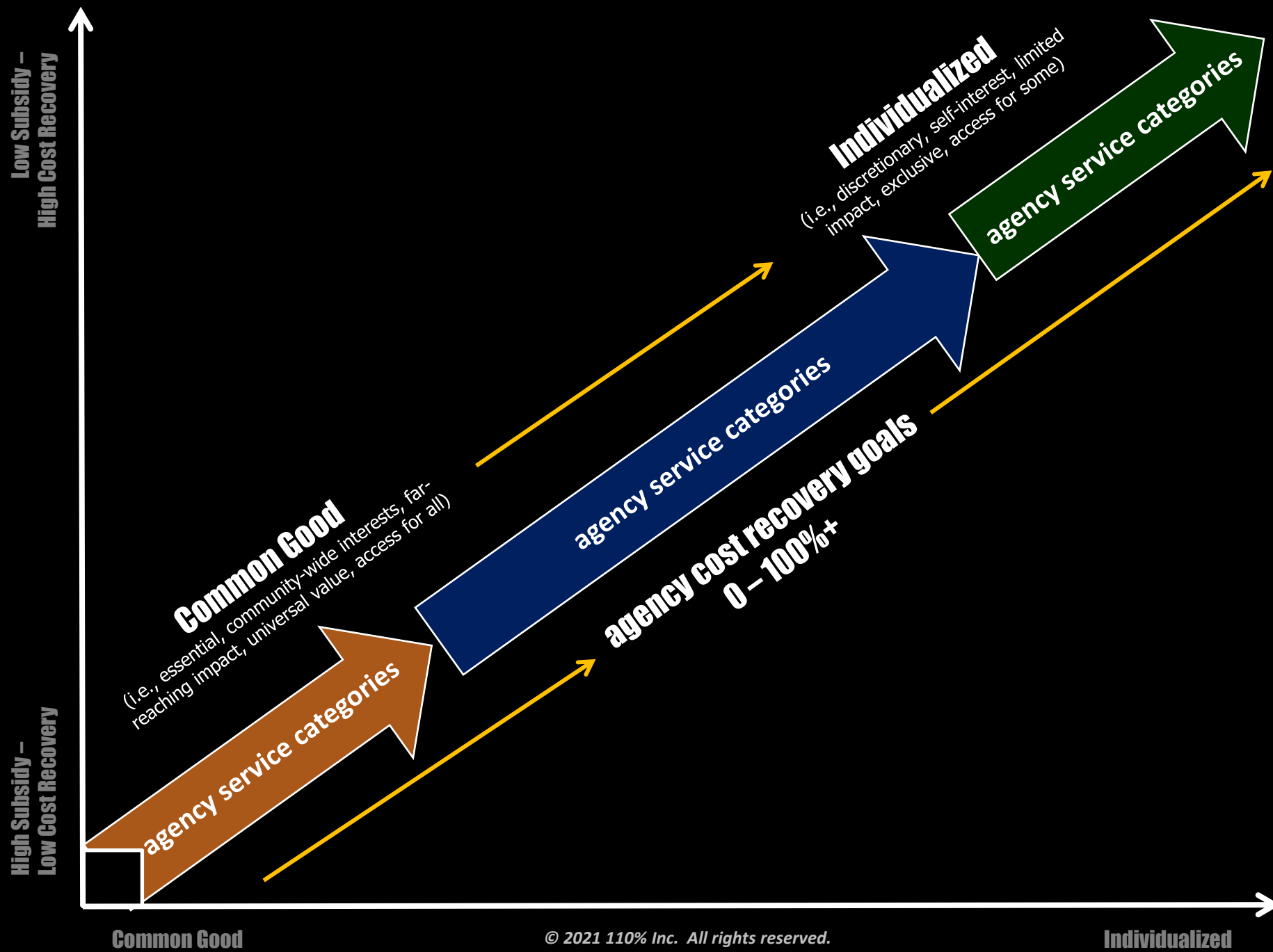




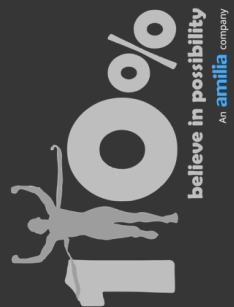




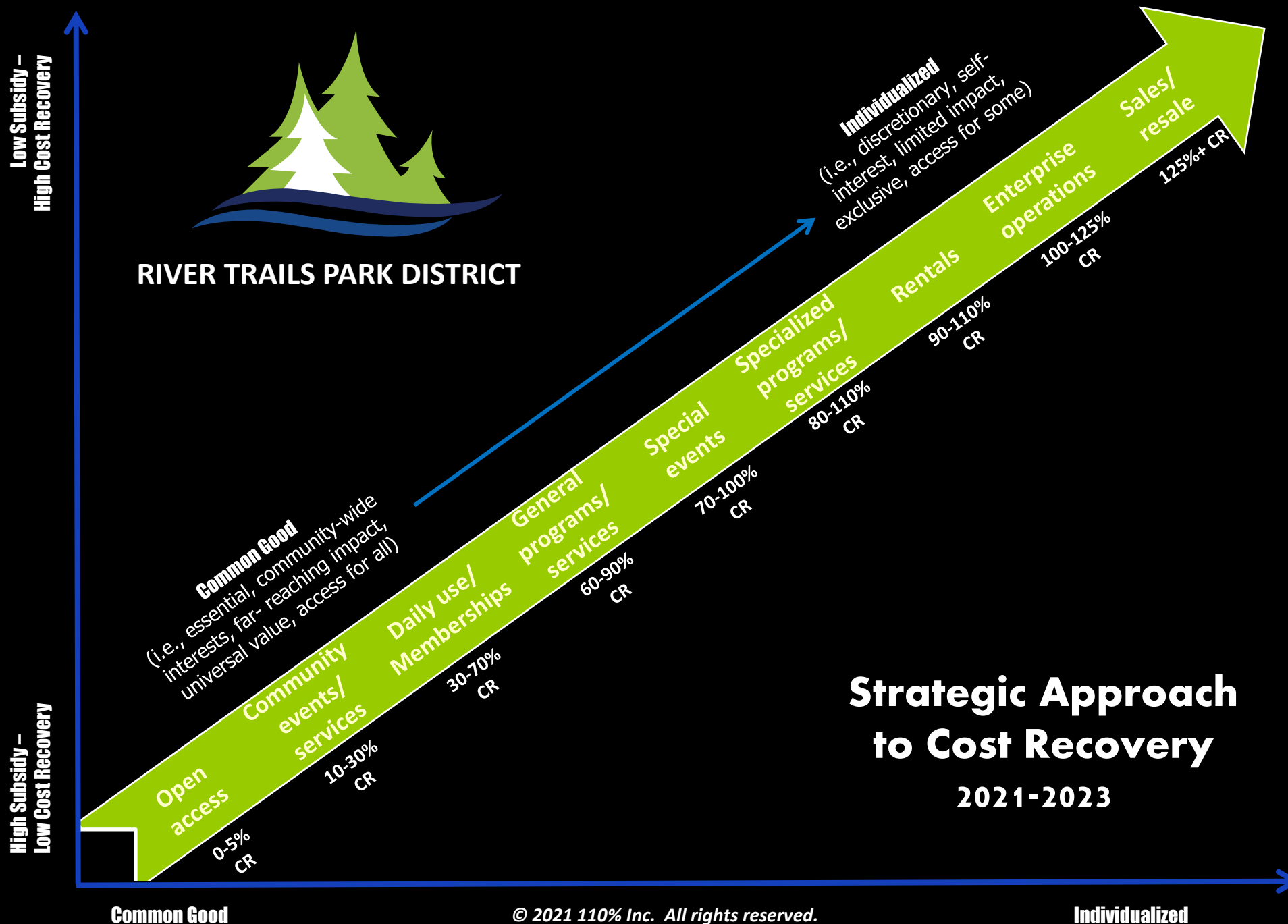
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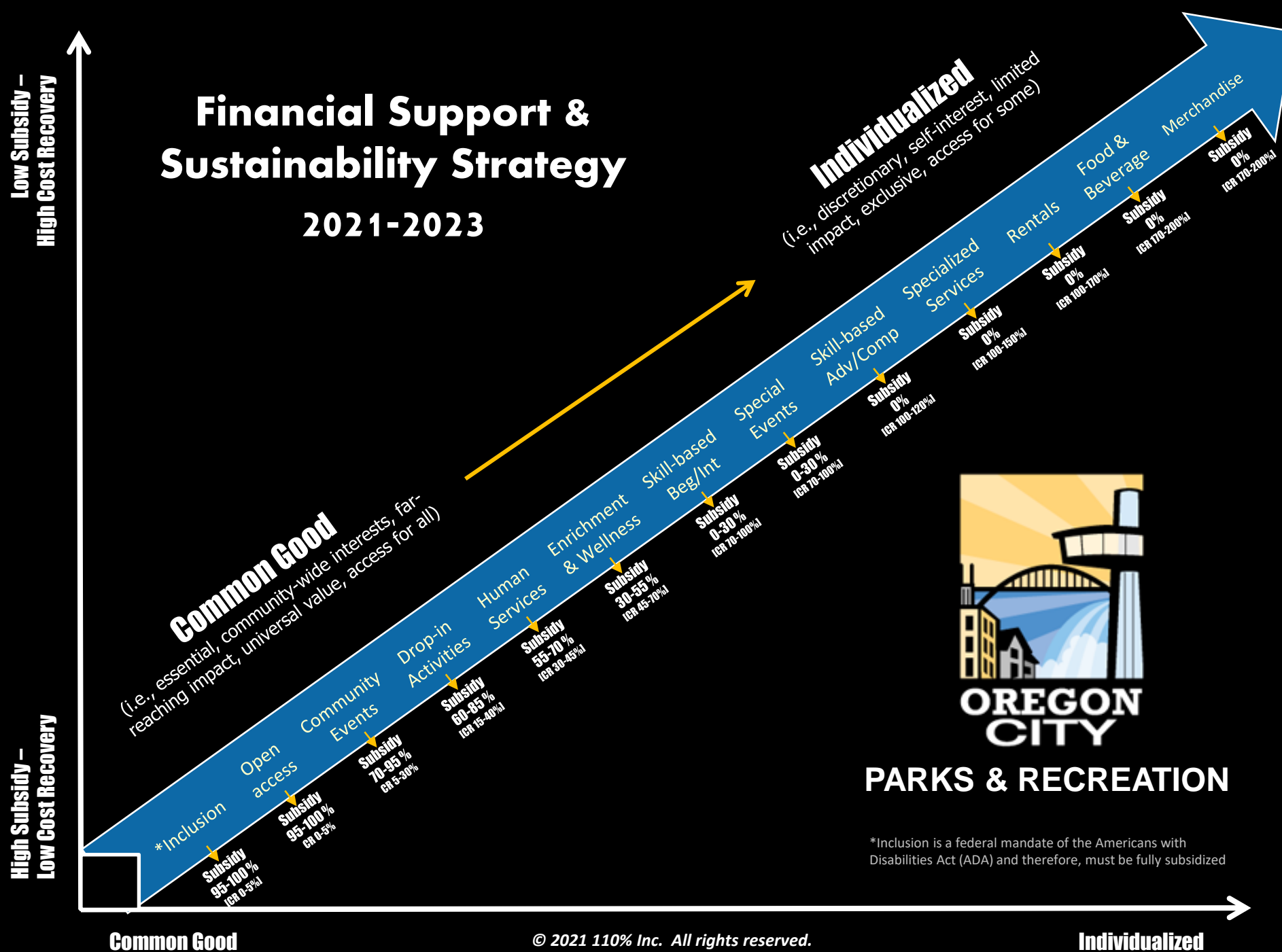
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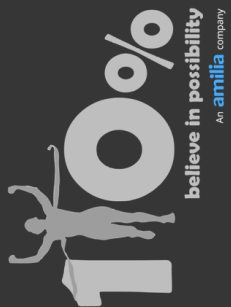




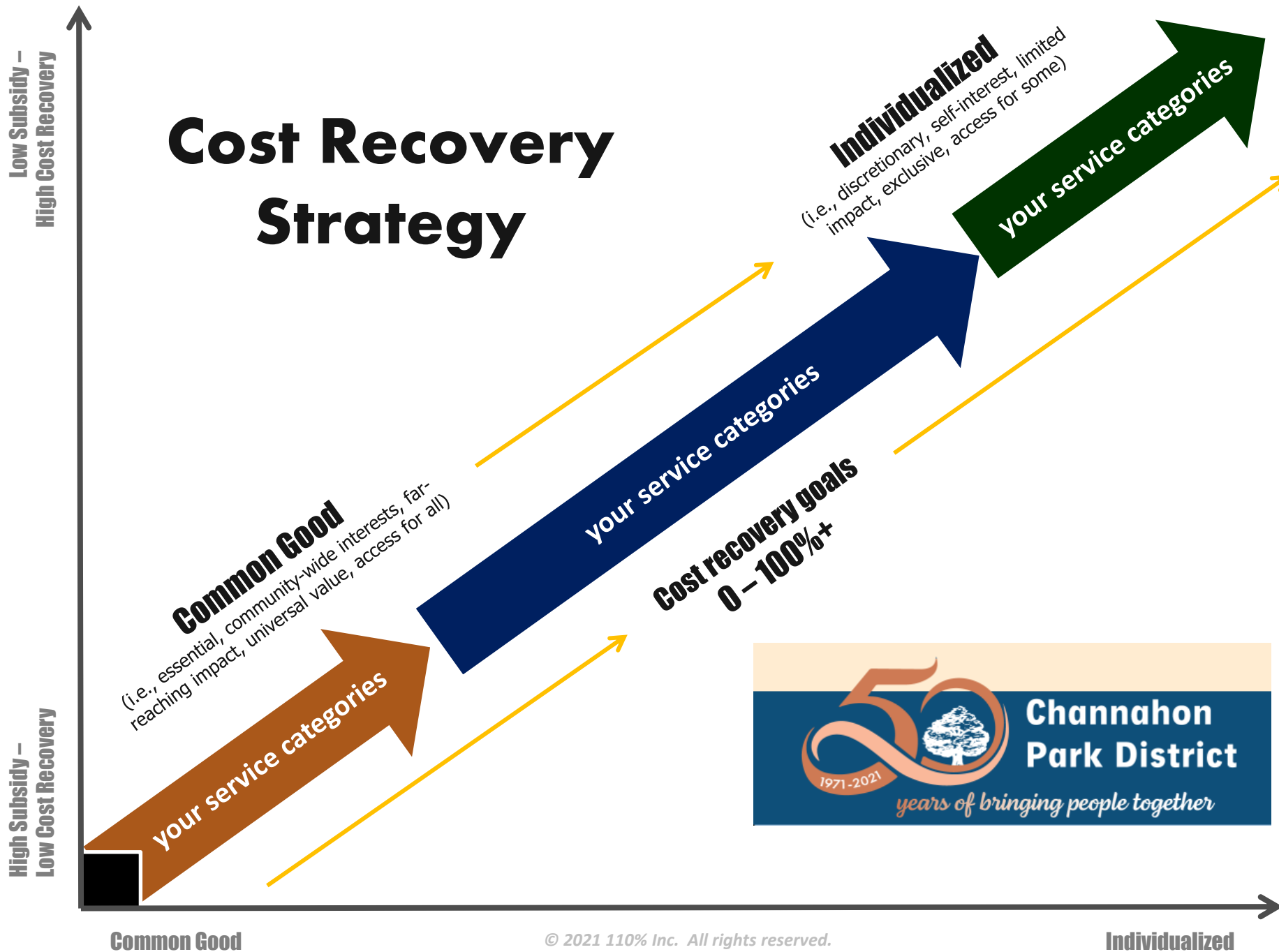
# The Cost Recovery Continuum







# The Cost Recovery Continuum





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# Beneficiary of Service Group Exercise







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Take **10** 







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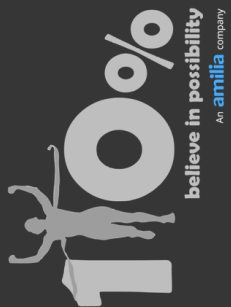




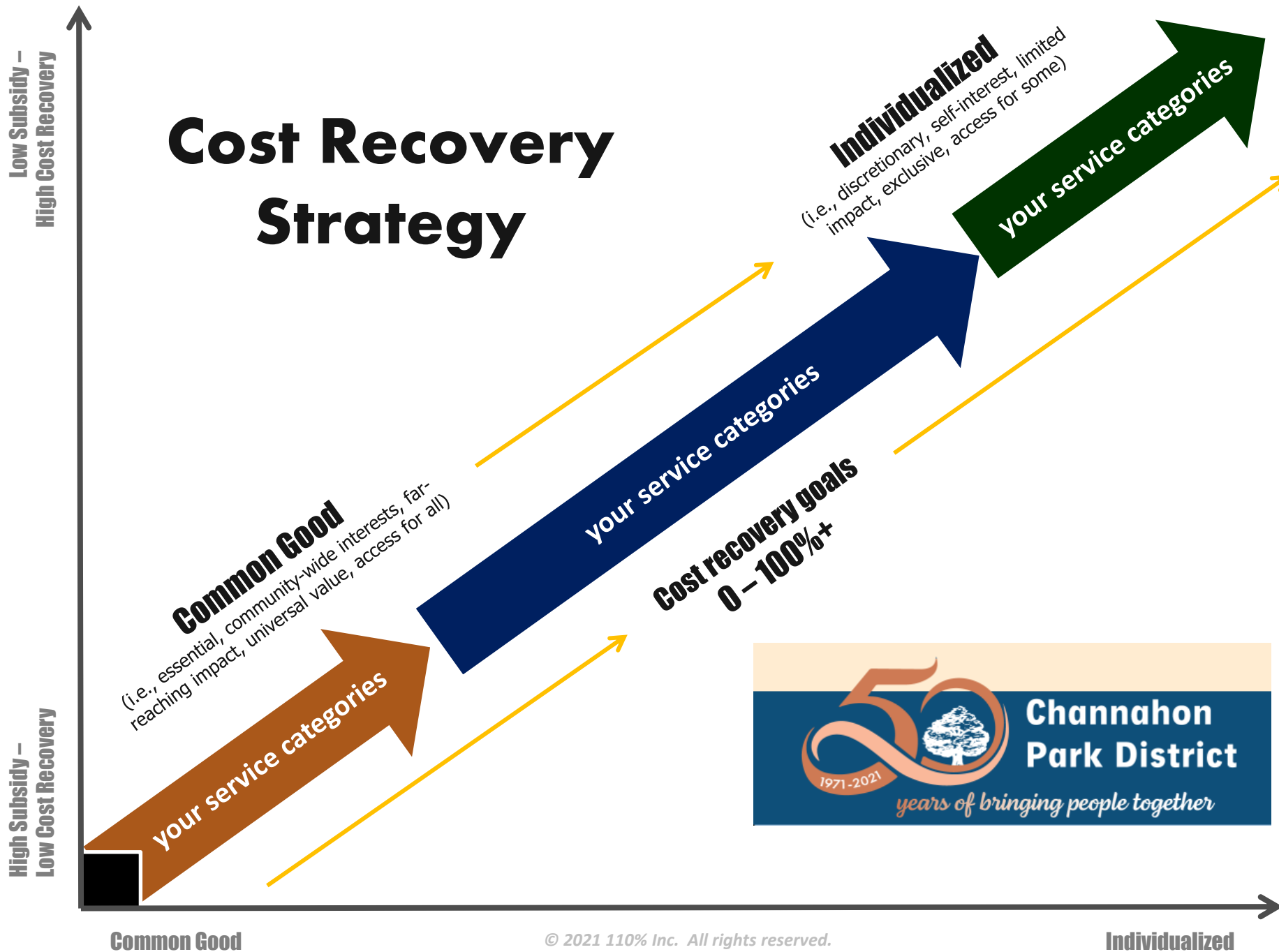
**In which position  
did you place  
each category?**







# The Cost Recovery Continuum





What's  
Next?

- Synthesize all Beneficiary of Service work session results
- Design of the Department's Beneficiary of Service Model
- Cost of service analysis continues





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