

PARKS AND NEIGHBORHOOD COMMITTEE MEETING



PRESENTED TO THE CITY OF SEATTLE



SEATTLE PARKS
AND RECREATION

MAY 3, 2012

Presenters: Leon Younger, President of PROS Consulting, LLC
www.prosconsulting.com
Leon.younger@prosconsulting.com

pros consulting
LLC

National Trends and Best Practices in Financial Management

- Agenda:

- Discuss What is Occurring Nationally on Managing To Sustainability
- Discuss Efficiency Processes that Agencies are Using
- Discuss Revenue Sources that Agencies are Incorporating

Agencies are Establishing Financial Principles To Guide Their Agency

- Develop a Budget Philosophy Towards Financial Sustainability i.e. cost recovery goals for programs, facilities, attractions, services
- Determine Essential, Important and Value Added Services
- Develop a Functional Organization System
- Develop Business Plans for Revenue Producing Facilities
- Develop Standards for Maintenance and Facility Management

Establishing Financial Principles

- ❑ Development of Program Standards
- ❑ Development effective Policies to Support Financial Principles
- ❑ Development of Cost of Services
- ❑ Determine Level of Efficiency You Want to Achieve by Tracking Key Performance Elements
- ❑ Incorporate Effective Point of Sale and Cost of Service Tracking software
- ❑ Become a Outcome Based Organization that focus on Efficiency and Revenue Based Metrics

Establishing Financial Principles

- ❑ Develop Effective Marketing Strategies
- ❑ Train Staff on Business Principles, Managing to Outcomes, Customer Service, Cost Accounting
- ❑ Develop Earned Income Revenue Sources
- ❑ Develop a Yearly Action Plan



Core / Non-Core Analysis

- Purpose of classifying services
- With current limitations on General Funds, service classification provides a framework to achieve greater financial sustainability by prioritizing services

Core / Non-Core Analysis

- The three service classifications
 - ▣ Core services – “Essential”
 - ▣ Core services – “Important”
 - ▣ Core services – “Value Added”

- Focus on for “Whom is the service provide for?” For what purpose? For what Benefit? For what Cost? For what Outcome?

Core / Non-Core Analysis

□ **CORE SERVICES – “ESSENTIAL”**

- ▣ Programs, services and facilities the Agency must provide and/or are essential in order to capably govern the municipality
- ▣ Failure to provide a core service at an adequate level would result in a significant negative consequence relative to the Agency’s health & safety and economic & community vitality

Core / Non-Core Analysis

□ **CORE SERVICES – “ESSENTIAL” (CONTINUED)**

□ **The criteria for a core service – “Essential”**

- The Agency is mandated by law, by the Charter or is contractually obligated by agreement to provide the service.
- The service is essential to protecting and supporting the public's health and safety.
- The service protects and maintains valuable agency assets and infrastructure.
- The public would generally and reasonably expect and support the agency in providing the service, and that service is one that cannot or should not be provided by the private sector, and provides a sound investment of public funds.

Core / Non-Core Analysis

□ **CORE SERVICES – “IMPORTANT”**

- ▣ Programs, services and facilities the agency should provide, and are important to governing the municipality and effectively serving our residents, businesses, customers and partners
- ▣ Services expands or enhances our ability to provide and sustain the agency's core services, health & safety, and economic & community vitality

Core / Non-Core Analysis

□ **CORE SERVICES – “IMPORTANT” (Continued)**

□ **The criteria for a core service – “Important”**

- Service provides expands, enhances or supports identified core services
- Services are broadly supported and utilized by the community, and are considered an appropriate, important, and valuable public good. Public support may be conditional upon the manner by which the service is paid for or funded
- Service generates income or revenue that offsets some or all of its operating cost and/or is deemed to provide an economic, social or environmental outcome or result within the community

Core / Non-Core Analysis

□ CORE SERVICES – “VALUE ADDED”

- ▣ Programs, services and facilities that the Agency may provide when additional funding or revenue exists to offset the cost of providing those services
- ▣ Services that provide added value to our residents, businesses, customers and partners above and beyond what is required or expected of a municipality

Core / Non-Core Analysis

□ **CORE SERVICES – “VALUE ADDED” (Continued)**

□ **The criteria for a core service – “Value Added”**

- Service expands, enhances or supports “Important” Services, and the quality of life of the community
- Services are supported and well utilized by the community, and provide an appropriate and valuable public benefit
- Service generates income or funding from sponsorships, grants, user fees or other sources that offsets some or all of its cost and/or provides a meaningful economic, social or environmental benefit to the community

Core / Non-Core Analysis

□ Example – Core / Non-Core Analysis

Facility Management

Facility Operations & Rentals

Funding Source

Community Center

Tax/Fee

Sport Complexes

Tax/Fee

Park & Field Rental

Tax/Fee

Pool Maintenance

Tax/Fee

Hospitality / Facility Planning

Fee

Senior Center

Tax/Fee

Tennis Center

Fee

Golf Management

Fee

Red = Have to Do (Essential) "Core Service"
Blue = Should Do (Important)
Green = Nice to Do (Discretionary)

Core / Non-Core Analysis

Program Management

Program management	Funding Source
Aquatics & Public Swim	Fee
Health & Fitness	Tax/Fee
Youth Sports	Fee
Adult sports	Fee
Youth & Teen Development	Tax/Fee
Youth Class	Tax/Fee
Adult Classes & Programs	Fee
Senior Programs	Tax/Fee
Special Events	Tax/Fee
Community Events	Tax/Fee
Cultural Programs	Tax/Fee
Environmental Education	Tax/Fee
Tennis	Fee

Example – Core / Non-Core Analysis

Red	Red = Have to Do (Essential) “Core Service”
Blue	Blue = Should Do (Important)
Green	Green = Nice to Do (Discretionary)

Core / Non-Core Analysis

Land Management

Parks Maintenance

Turf Maintenance

Athletic Field Maintenance

Water Management

Playground Safety

Parkways, Median and Right of Way

Urban Forestry

Tree Maintenance

Risk / Liability

Long Range Open Space Planning

Open Space / Preserve Maintenance

Nature Reserve Enhancement

Example – Core / Non-Core Analysis

Park Planning and Design

Trail Development

Construction

City-Wide Planning

Red = Have to Do (Essential) “Core Service”
Blue = Should Do (Important)
Green = Nice to Do (Discretionary)

Cost of Service Process

□ Why cost service?

- Municipalities must balance social service demands with financial sustainability
- Limited resources increase the demand for accountability
- Helps to determine the true cost recovery levels and it supports pricing of services
- Helps to educate users and elected officials what services truly costs

Cost of Service Objectives

- To understand the true cost to provide programs, services, and facilities to improve decision making
- To document the service results from the financial resources allocated
- Improve consistency in monitoring and decision making
- Provide improved processes and tools for budgeting process



Direct vs. Indirect Costs

- Direct and Indirect costs are the result of the agencies accounting system.
- ▣ Direct costs are those costs that are included in the budget for function under analysis
- ▣ Typical direct costs are salaries and benefits, supplies and materials, minor capital equipment

Direct vs. Indirect Costs

- Indirect costs are those costs that are related to supporting the function under analysis but the costs in another functions accounting group
- ▣ Typical indirect costs are governance, accounting and finance, debt service and legal services

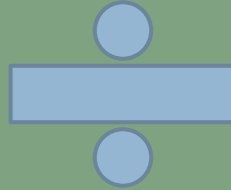
Cost of Service Application

- The result of the cost-of-service analysis does not necessarily mean that the entity should recover the total costs-of-service through user charges and fees
- The cost of service may be used as a cost recovery or a cost per service benchmark
- Organizations use these studies to determine what is required in the way of operating capital to provide a specific level of service

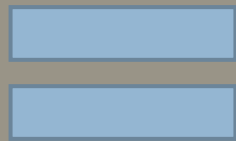
Cost of Service Methodology

ACTIVITY UNIT COSTS

Total Costs
For Activity



Total Equivalent
Units
Of Activity



Total Costs
Per Unit Of
Activity

Sample Service Units

- ❑ Cost per Task
- ❑ Cost per Event
- ❑ Cost per Service Call
- ❑ Cost per Piece of Equipment
- ❑ Cost per Experience
- ❑ Cost per Acre
- ❑ Cost per Square Foot
- ❑ Cost per Hour to Operate
- ❑ Cost per Item
- ❑ Cost per Use

Parks and Recreation Program

Cost-of-Service Measures

□ Performance Indicators

- ▣ Number of programs
- ▣ Number of participants
- ▣ Number of events
- ▣ Number of acres maintained
- ▣ Square of facilities maintained

□ Cost of Service Measures

- ▣ Cost per program/service
- ▣ Cost per facility/facility function/facility area
- ▣ Cost per participant
- ▣ Cost per maintenance activity

Cost of Service Methodology

CONTINUOUS THREE STEP PROCESS

Policy and Philosophy

- Define Core Services
- Define Service Structure-Public/Merit/Private
- Levels of Subsidy – Cost Recovery Goals

Funding Sources

- Classification of services based on value of benefit received
- Fairness and equity
- Funding based on philosophy set by policy /decision makers

Cost of Service Modeling

- Tool for better decision making
- Data Driven

Example Cost-of-Service Results

Division	Revenues	Direct Expenditures	Revenues Over (Under) Direct Expenditures	Direct Percent Recovery	Total Allocated Expenditures plus Overhead	Revenues Over (Under) Expenditures	Total Percent Recovery	Participants	Investment Per Participant
Adult Sports	\$ 195,858	\$ 259,685.50	\$ (63,827.57)	75%	\$ 277,711.86	\$ (81,853.94)	71%	477	\$ 171.60
Youth Sports	\$ 160,247	\$ 200,093.04	\$ (39,845.64)	80%	\$ 218,119.40	\$ (57,872.01)	73%	2,054	\$ 28.18
Tournaments	\$ 17,805	\$ 45,009.99	\$ (27,204.72)	40%	\$ 63,036.36	\$ (45,231.09)	28%	10	\$ 4,523.11
Special Events	\$ 11,870	\$ 17,926.01	\$ (6,055.83)	66%	\$ 35,952.37	\$ (24,082.19)	33%	732	\$ 32.90
Tournaments and Special	\$ 29,675	\$ 62,936	\$ (33,261)	47%	\$ 98,989	\$ (69,313)	30%	732	\$ 94.69
Field Rentals	\$ 207,728	\$ 15,760.81	\$ 191,967.29	1318%	\$ 33,787.18	\$ 173,940.92	615%		N/A
Total	\$ 593,508.86	\$ 538,475.34	\$ 55,033.52	110%	\$ 628,607.17	\$ (35,098.31)	94%	3,263	\$ 10.76

*Participants for Adult Sports are the number of teams

Example Cost-of-Service Results

Senior Center Cost of Service Summary									
Division	Revenues	Direct Expenditures	Revenues Over (Under) Direct Expenditures	Total Percent Recovery	Total Allocated Expenditures	Revenues Over (Under) Expenditures	Total Percent Recovery	Participants	Investment Per Participant
Luncheon	\$ 5,017.00	\$ 34,015.44	\$ (28,998.44)	15%	\$ 34,015.44	\$ (28,998.44)	15%	999	\$ 29.03
Fine Arts	\$ 596.99	\$ 23,810.48	\$ (23,213.50)	3%	\$ 23,810.48	\$ (23,213.50)	3%	135	\$ 171.95
Fitness	\$ 35,819.23	\$ 64,656.35	\$ (28,837.12)	55%	\$ 64,656.35	\$ (28,837.12)	55%	2,502	\$ 11.53
Sports	\$ 596.99	\$ 22,756.42	\$ (22,159.43)	3%	\$ 22,756.42	\$ (22,159.43)	3%	335	\$ 66.15
Trips	\$ 49,268.07	\$ 57,653.67	\$ (8,385.60)	85%	\$ 57,653.67	\$ (8,385.60)	85%	1,058	\$ 7.93
Seminars and Workshops	\$ 2,387.95	\$ 30,326.46	\$ (27,938.51)	8%	\$ 30,326.46	\$ (27,938.51)	8%	767	\$ 36.43
Facility Rentals	\$ 15,521.67	\$ 29,130.74	\$ (13,609.08)	53%	\$ 29,130.74	\$ (13,609.08)	53%	N/A	N/A
Memberships	\$ 3,581.92	\$ 64,382.96	\$ (60,801.03)	6%	\$ 64,382.96	\$ (60,801.03)	6%	4,641	\$ 13.10
Arts & Crafts	\$ 596.99	\$ 23,836.32	\$ (23,239.34)	3%	\$ 23,836.32	\$ (23,239.34)	3%	364	\$ 63.84
Special Events	\$ 596.99	\$ 33,039.21	\$ (32,442.22)	2%	\$ 33,039.21	\$ (32,442.22)	2%	470	\$ 69.03
Special Interest Clubs	\$ -	\$ 35,697.61	\$ (35,697.61)	0%	\$ 35,697.61	\$ (35,697.61)	0%	30,296	\$ 1.18
Total	\$113,983.79	\$419,305.66	\$ (305,321.87)	27%	\$ 419,305.66	\$ (305,321.87)	27%	41,567	\$ 7.35

Pricing Policy - Purpose

- Pricing policies are a mechanism for allocating the use of public funds, creating a financially sustainable approach for recreational services and facilities, maximizing the use of programs and facilities, and ensuring affordable access to programs and services
- Pricing Policy allows policy makers, users, staff, and general taxpayers to better understand the philosophy behind the pricing of programs and services

Pricing Policy - Elements

- Service Levels

- ▣ Public Services provide all users the same level of benefit and can be assessed by the broadest cross section of the population; these services typically receive the highest level of subsidization

- ▣ Examples:

- Unreserved Picnic Table, Shelter, Sports Field
 - Trails
 - Open Space

Pricing Policy - Elements

- Service Levels

- Merit Services provide benefit to both the community and individual. These programs should follow a cost sharing model between subsidy and a fee to the customer. Some portion of the cost of service should be supported by the user thus lowering the general fund contribution

- Examples:

- Swim lessons
 - Youth sports programs
 - After-school programs for youth
 - Events that promote healthy active lifestyles

Pricing Policy - Elements

- Service Levels

- ▣ Private Services provide benefit to the individual, are typically specialized, and provide minimal to no benefit to the community. These services should receive a minimal subsidization (if any) and the fee to participate is the responsibility of the user/customer

- ▣ Examples:

- Facility rentals
 - Adult sports programs
 - Private lessons

Pricing Policy - Elements

□ **Efficiency Pricing – To Improve Utilization**

- Primetime / Non-primetime Pricing
- Season / Off-season Pricing
- Multi-tiered Program Pricing
- Group Discounting and Packaging
- Volume Pricing
- Incentive Pricing
- Length of Stay Pricing

Pricing Policy - Elements

- **Determine Cost Recovery Goals**
 - ▣ Set cost recovery targets for the recovery of each program
 - ▣ Align cost recovery goals with public, merit, and private service categories and reflect the level of community/public and individual/private benefit received
 - ▣ Review cost recovery goals annually with consideration of the operating budget

Developing New Core Programs and Facilities To Drive More Revenue

- ❑ Edge Sports to Attract Young People
- ❑ Wellness and Fitness
- ❑ Active Adult Programs 55-75 with no discount
- ❑ Multi-generational and Multi-functional facilities-No more single focused facilities
- ❑ Trails becoming Revenue Centers
- ❑ Changing Senior Discounts to 62,65,and 70 and providing more discounts to young adults ages 21-30

New Funding Sources Agencies Are Using to Fund Their Systems

- Design for Revenue
- Sales Tax of Fast Food and Drinks
- Sale of Naming Rights for a Mile of Trail, Play Court, Sports Fields, Concert Stages, Events
- Land Dedication and Impact Fees
- Sale of Non-prime time space to private sector
- Permit facilities with a percentage of gross amount from the event

New Funding Source Examples

- ❑ Leasing of Park Property
- ❑ Tipping Fees at Landfills
- ❑ Foundations, Conservancies, Friends Groups
- ❑ Equity Partnerships
- ❑ New Access Fees at traditional free park amenities
- ❑ Sports Groups now pay
- ❑ Wi-Fi Sales in Parks and Community Centers
- ❑ Outsourcing for efficiency

New Funding Sources

- ❑ Joint Development of Regional Attractions
- ❑ Moving from Neighborhood Facilities to Regional Facilities
- ❑ Specialty Tags
- ❑ Farmers Markets

Designing Parks for Revenue

- “Programs drive the design” philosophy versus forcing programs into a design
- Design to desired outcomes
 - ▣ Increase Economic Value to the Community
 - ▣ Determine Cost Benefit of Desired Spaces in a Park
 - ▣ Determine Capacity of Use
 - ▣ Evaluate Revenues to Expense Cost with Amenities
 - ▣ Increase Retention of Users
 - ▣ Create wide Age Segment Appeal
 - ▣ Increase Length of Stay by User Type
 - ▣ Track Customer Satisfaction and Importance of key Managed areas

Cultural Economic Development – Art in Parks



Cultural Economic Development – Concerts in the Park



Designing Parks for Revenue

- Design to the size of the market based on level of capacity available
- Design to flexibility of space based on the number of types of programs that can be held in the same space and the different number of age segments that can use the space
- Design to competition standards
- Design to revenue even if the Agency does not need the operational money

Designing Parks for Revenue

- Design to cost of service both direct and indirect costs
- Design to CPTED (Crime Prevention through Environmental Design) Standards
- Develop cost benefit for each amenity in the park as it applies to revenue and expense that can be earned and then add elements that can drive up the value of the attraction:
 - ▣ Shelters, Sports Fields (grass/ versus synthetic, lights or no lights, etc.), Trails, Playground Areas, Campgrounds, Community Gardens, Arboretums, Spray Grounds, Ponds, Skate Park, Aquatic Facilities, etc.

Park Amenities

- Sports Fields - All weather surface - High Cost / High Revenue -Wide age segment appeal, Low cost to maintain
 - ▣ Multi-functional design versus single function design in sports fields brings the highest level of revenue to costs
- Shelters - High Cost / Low Revenue unless added elements to the shelter to make it more marketable (e.g. playground, restrooms, trails, pond, shade, wi-fi, flexibility to opening and closing, multiply functions in one setting)
- Campgrounds - High Cost / High Revenue

Park Amenities

- ❑ Playgrounds - High Cost / Low Revenue
- ❑ Cabins - High Cost / High Revenue
- ❑ Beach - High Cost / Low Revenue unless revenue opportunities are designed
- ❑ Natural Areas - Low Cost / Low Revenue
- ❑ Outdoor Adventure Areas - High Cost / High Revenue
- ❑ All Purpose Trails - High Cost / Low Revenue unless revenue opportunities are designed into trail design

Wi-Fi in Parks



Restaurants in Park

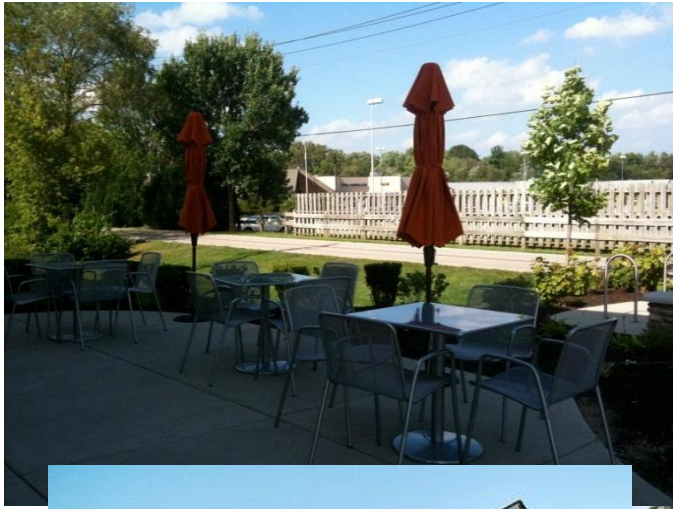
he rove in
i discovery
reen ark, oust on



Restaurants in Park



Restaurants Along Trail



Farmer's Markets



Festivals / Art Shows



Adventure Parks



Bicycle Shops Along Trail



Determine Core Programs in Design

- Determine core programs into design, secondary programs into design and the amount of revenue that can come into the system to support the attraction
- Development of Business Plans into Design demonstrates how the attraction needs to be managed, priced and used
- Key point here is how to energize a attraction- program it, design to multiple age groups, make it attractive, functional and unique. Incorporate maintenance standards into the design to ensure the Department can afford it

Design for Visual Comfort

- Design for ease of access, accessibility, visual safety, view points, health and wellness, and wide age segment appeal both as a user and spectator
- Design additional amenities into a attraction to increase its use and revenue capability
- Design for revenue now, even if you don't need it
- Expand the program options into design to increase its level of use

Partnership Policy - Purpose

- Partnership policies promote fairness and equity within the existing and future partnerships while helping staff and partners to manage to documented outcomes



Partnership Policy - Elements

- **Written partnership agreements**
 - ▣ Describe the reason for creation of the partnership
 - ▣ Establish outcomes that benefit each partner
 - ▣ Agreements include measurable outcomes that hold each partner accountable to the outcomes desired and to each other
 - ▣ Agreements should be evaluated on a yearly basis with reports back to the policy making body

Partnership Policy - Elements

- ▣ Track direct and indirect costs associated with the partnership investment to demonstrate the level of equity each partner is investing
- ▣ Full disclosure by both partners to each other on a regular basis (monthly, quarterly)
- ▣ Communication of partnership elements to policy makers, staff and the community

Marketing and Branding To Support Financial Sustainability

- Most Agencies do not incorporate Marketing Dollars into their Financial Plan but they should
- Marketing Dollars help to build recognition for the Agency. This helps to drive revenues to the agency in the form of programs, facility use, and philanthropy help
- The goal should be 3-5% of total operational dollars spent on Marketing

Maintenance Planning - Objectives

- ❑ Manage cost to maintain parks, trails, amenities, and facilities against est. standards
- ❑ Maintain infrastructure and park assets
- ❑ Hire the RIGHT person, with the RIGHT skill set, for the RIGHT pay, for the RIGHT outcomes
- ❑ Determine what level of maintenance is needed to support users needs
- ❑ Determine what should be done by Public employees or private maintenance crews

Maintenance Standards - Samples

Level 1 Standard						
Activity	Average Hours per Unit	Unit Description	Level 1		Level 2	
			Frequency	Times Per Year	Frequency	Times Per Year
Adjust picnic table location	0.10	Each	1/week	52		
Asphalt patching	8.00	Each	1/year	1		
Assist visitors with information and directions	1.00	Each	1/day	220		
Assist with SPUG events	4.00	Event	Bi-monthly	6		
Beach clean up days with volunteers	0.50	Acre	Bi-monthly	6		
Clean / remove charcoal from grills - Other than Winter	0.50	Each	1/day	220		
Clean / remove charcoal from grills - Winter	0.50	Each	1/week	52		
Clean and clear debris from picnic areas	0.25	Acre	1/day	220		
Clean and clear shower drain	0.50	Each	1/month	12		
Clean and maintain memorial plaques	1.00	Each	1/day	220	1/week	52
Clean concrete and wooded benches	0.20	Each	Bi-monthly	6		
Clean curb area and open drains from parking	2.00	Drain	1/week	52		
Clear pathways to restrooms and deck areas	1.00	Each	1/day	220		
Clear sand from promenade	1.00	Acre	1/month	12		
Clear trash from picnic areas	1.00	Acres	1/day	220		
Comb picnic area for trash	0.25	Acre	1/day	220		
Comb West Bluff picnic area for trash	0.25	Acre	1/day	220		
Debris removal from lawn areas	8.00	Acre	1/day	220		
Debris removal from picnic areas	5.00	Acre	1/day	220		
Develop work plan based on inspections	1.00	Each	1/week	52	1/month	12
Dispose of hazardous materials from beach	8.00	Acre	Bi-monthly	6		
Edging & Trimming	2.00	Acre	1/week	36		

Maintenance Standards - Samples

Estimated Budget - Zone Maintenance

Maintenance Description (Task), Zone 1 - Sutro Heights	Labor Hours	Volunteer Hours	Labor Costs	Materials Cost	Total Costs by Task	Percentage of Costs by Task
Mowing	91.0	-	\$ 774	\$ 600	\$ 1,374	1.2%
Landscape Maintenance	484.0	-	\$ 5,808	\$ 1,200	\$ 7,008	6.3%
Litter	1,022.5	-	\$ 19,428	\$ 600	\$ 20,028	17.9%
Janitorial	730.0	-	\$ 13,505	\$ 1,200	\$ 14,705	13.1%
Irrigation	15.0	-	\$ 323	\$ 300	\$ 623	0.6%
Weed Control	-	7,300.0	\$ -	\$ 600	\$ 600	0.5%
Roads and Parking Lots	787.5	-	\$ 12,600	\$ 10,000	\$ 22,600	20.2%
General Maintenance	83.0	-	\$ 1,743	\$ 5,000	\$ 6,743	6.0%
Administration	1,760.0	-	\$ 36,960	\$ 1,200	\$ 38,160	34.1%
Total	4,973.0	7,300.0	\$ 91,140	\$ 20,700	\$ 111,840	100.0%

In Summary!!!!

- ❑ **Agency Assessment is about creating a strategy that allows the Agency to manage forward as it applies to:**
 - ❑ Approach to Money and Money Management
 - ❑ Staffing and the cost of staffing
 - ❑ Managing Programs and Services
 - ❑ Creating Policies that allow you to manage forward
 - ❑ Know what things cost and how to manage more efficiently
 - ❑ To keep you from getting over extended
 - ❑ Helps you to learn how to manage your agency better!

PARKS AND NEIGHBORHOOD COMMITTEE MEETING

DISCUSSION

PRESENTED TO THE CITY OF SEATTLE



MAY 3, 2012

Presenters: Leon Younger, President of PROS Consulting, LLC
www.prosconsulting.com
Leon.younger@prosconsulting.com

