

1. EXECUTIVE SUMMARY

The report, which follows, presents the **draft** results of the Parks and Recreation Cost of Services (User Fee) Study conducted by the Matrix Consulting Group for the City of Asheville.

1. PROJECT BACKGROUND AND SCOPE OF WORK

The Matrix Consulting Group analyzed the cost of service relationships that exist between fees for service activities in the Parks & Recreation department, including the following programs: Adult Athletics, Tennis Center, Skate Park, Facility Rentals, Pools, Nature Center, Youth Athletics, and Youth Programs. The results of this Study provide a tool for understanding current service levels, the cost and demand for those services, and what fees for service can and should be charged.

2. GENERAL PROJECT APPROACH AND METHODOLOGY

The methodology employed by the Matrix Consulting Group is a widely accepted “bottom up” approach to cost analysis, where time spent per unit of fee activity is determined for each position within a division. Once time spent for a fee activity is determined, all applicable City costs are then considered in the calculation of the “full” cost of providing each service. The following table provides an overview of types of costs applied in establishing the “full” cost of services provided by each program included in this Study:

Cost Component	Description
Direct	Fiscal Year 2014/15 Adopted Budgeted salaries, benefits and allowable expenditures.
Citywide / Departmental Overhead	Citywide and Departmental administration / management and clerical support.

Together, the cost components in the table above comprise the calculation of the total “full” cost of providing any particular service, whether a fee for that service is charged or not.

The work accomplished by the Matrix Consulting Group in the analysis of the proposed fees for service involved the following steps:

- **Program Staff Interviews:** The project team interviewed staff in each program regarding their needs for clarification to the structure of existing fee items, or for addition of new fee items.
- **Data Collection:** Data was collected for each item, including time estimates and volume of activity. In addition, all budgeted costs and staffing levels for Fiscal Year 14/15 were entered into the Matrix Consulting Group’s analytical software model.
- **Cost Analysis:** The full cost of providing each service included in the analysis was established. Cross-checks including allocation of not more than 100% of program resources to both fee and non-fee related activities assured the validity of the data used in the Study.
- **Review and Approval of Results with Department Staff:** Program and Department management have reviewed and approved these documented results.

A more detailed description of user fee methodology, as well as legal and policy considerations are provided in subsequent chapters of this report.

3. SUMMARY OF RESULTS – DIRECT COST ANALYSIS

Overall, this Cost of Services Study concluded that the City is under-recovering for all of its Parks and Recreation Programs. While the detailed documentation of the Study will show an over-collection in some programs and / or certain fees (on a per unit basis), and an undercharge for others. The table on the following page presents only the FY 14-15 Direct Program expenditures for the Parks and Recreation Programs covered in this study:

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Program Title	FY 14-15 Budget	FY 13-14 Revenue	Surplus / (Deficit)	Current Cost Recovery Percentage
Adult Athletics	\$243,716	\$113,778	\$(129,938)	47%
Aston Park Tennis Center	\$256,082	\$94,182	\$(161,900)	37%
Food Lion Skate Park	\$107,243	\$20,296	\$(86,947)	19%
Pools	\$235,566	\$81,849	\$(153,717)	35%
Western North Carolina Nature Center	\$946,558	\$477,093	\$(469,465)	50%
Youth Athletics	\$103,534	\$16,668	\$(86,866)	16%
Summer Playground	\$174,730	\$36,419	\$(138,312)	21%
Vance Afterschool	\$153,310	\$164,255	\$10,945	107%
Outdoor Programs	\$118,842	\$33,872	\$(84,970)	29%
TOTAL	\$2,339,581	\$1,038,412	\$(1,301,169)	44%

It is important to note that the cost of Recreation Centers, along with associated rental or class revenues has not been included in the table above, as the purpose of that analysis was to develop fully burdened rental rates rather than assess cost recovery. Based on FY 14-15 direct costs and FY 13-14 revenue the total direct cost recovery for the programs identified in this study is 44%, which is slightly above the cost recovery spectrum for Parks and Recreation (20-40%). However, if all direct expenditures for the Parks and Recreation Department are compared to all revenues, the Department's overall cost recovery is 21%, just barely within the spectrum.

4. SUMMARY OF RESULTS – INDIRECT COST ANALYSIS

The previous section provided the cost recovery analysis for each of the programs based upon only direct expenditures. In addition to direct costs, these programs all receive indirect overhead support in the form of park and recreation center maintenance, departmental overhead, and citywide overhead. Therefore, it is important to evaluate the current subsidies of the programs in the context of the full cost of providing these services. The table on the following page presents a summary of results by program incorporating all direct and indirect costs for the Programs presented in this study:

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Program Title	FY 14-15 Full Cost	FY 13-14 Revenue	Surplus / (Deficit)	Current Cost Recovery Percentage
Adult Athletics	\$366,330	\$113,778	\$(252,552)	31%
Aston Park Tennis Center	\$372,394	\$94,182	\$(278,212)	25%
Food Lion Skate Park	\$155,952	\$20,296	\$(135,656)	13%
Pools	\$342,560	\$81,849	\$(260,711)	24%
Western North Carolina Nature Center	\$1,376,485	\$477,093	\$(899,392)	35%
Youth Athletics	\$155,622	\$16,668	\$(138,954)	11%
Summer Playground	\$259,771	\$36,419	\$(223,352)	14%
Vance Afterschool	\$181,534	\$164,255	\$(17,280)	90%
Outdoor Programs	\$144,583	\$33,872	\$(110,712)	23%
TOTAL	\$3,355,232	\$1,038,411	\$(2,316,820)	31%

Overall, the programs in this study are recovering 31% of their direct and indirect costs, which is in the middle of the spectrum of the typical cost recovery associated with Parks and Recreation Departments (20-40%). As this table indicates, certain programs are providing significant subsidies ranging from a low of \$17,000 to a high \$899,000.

The display of the cost recovery figures shown in this report are meant to provide a basis for policy development discussions among Council members and Departmental staff, and do not represent a recommendation for where or how the Council should take action. The setting of the "rate" or "price" for services, whether at 100 percent full cost recovery or lower, is a policy decision to be made only by the Council, often with input from City staff and the community.

5. REVENUE IMPACTS

Revenue calculated for Parks and Recreation programs is dependent upon the number of participants per activity provided. While a fee for a specific activity can be set to recover the full cost associated with providing that activity, if the participation level is lower than that used to develop the cost, the activity will not recover its costs. Therefore the revenue projections and impacts stated in this study are variable and dependent upon future program and activity participation levels.

6. CONSIDERATIONS FOR COST RECOVERY POLICY AND UPDATES

The Matrix Consulting Group recommends that the Department use the information contained in this report to discuss, adopt, and implement a formal Cost Recovery Policy, and also to implement a mechanism for the annual update of fees for service.

(1) Adopt a Formal Cost Recovery Policy

The Matrix Consulting Group strongly recommends that the Department adopt a formalized, individual cost recovery policy for each program included in this Study. Whenever a cost recovery policy is established at less than 100% of the full cost of providing services, a known gap in funding is recognized and may then potentially be recovered through other revenue sources. The Matrix Consulting Group considers a formalized cost recovery policy for various fees for service an industry Best Management Practice.

(2) Adopt an Annual Fee Update / Increase Mechanism

The purpose of a comprehensive update is to completely revisit the analytical structure, service level estimates and assumptions applied in the previous study, and to account for any major shifts in cost components or organizational structures. The Matrix Consulting Group believes it is a best management practice to perform a complete update of a Fee Assessment on a periodic basis.

In between comprehensive updates, the Department could utilize various options to update fees annually. Program Cost Proposal Forms developed through this study would allow the department to precisely project program fees. At a minimum, the Department should utilize published industry economic factors such as CPI or other

regional factors to update the cost calculations established in the Study on an annual basis. Alternatively, the Department could also consider the use of its own anticipated labor cost increases such as step increases, benefit enhancements, or cost of living raises. Utilizing an annual increase mechanism would ensure that the City receives appropriate fee and revenue increases that reflect growth in costs.