

**REVIEW OF RECREATIONAL FEE PROPOSAL
MARCH 2000**




**CITY AUDITOR'S OFFICE
CITY OF GAINESVILLE, FLORIDA**

City of
Gainesville

Inter-Office Communication

March 7, 2000

TO: Audit and Finance Committee
Mayor Paula M. DeLaney, Chair
Mayor-Commissioner Pro Tem Bruce L. Delaney, Member

FROM: Alan D. Ash, City Auditor 

SUBJECT: Review of a Proposed Alternative Recreational Fee Structure

RECOMMENDATION

The Audit and Finance Committee recommend that the City Commission:

1. Accept the City Auditor's report on the implementation of the City Manager's proposed alternative fee structure for the Recreation and Parks Department;
2. Receive a report from the City Manager; and
3. Refer the issue to the Public Recreation Board for review and approval.

EXPLANATION

In accordance with our Fiscal Year 2000 Annual Audit Plan, we have completed our review of a proposed alternative fee structure for selected City recreational programs. This review resulted from a City Commission request for the City Auditor's assistance in developing a policy to ensure that City of Gainesville residents receive the maximum benefit from City-sponsored programs. We conducted our review in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Our objective was to determine whether data, methods and assumptions used by the City Manager provide a fair and equitable basis for charging higher fees to non-residents using City recreational programs. Our review included procedures we considered necessary in the circumstances to provide reasonable assurance to the City Commission that a rational basis exists for distinguishing between residents and non-residents of the City of Gainesville in initiating an alternative fee policy. Our report and management's proposed policy are attached for review.

CONCLUSION

Based on our review of the selected programs, we believe that management has established a rational foundation for implementing an alternative fee structure for non-residents of the City of Gainesville that is fair and equitable. Current plans are first to initiate the policy in athletic and aquatic programs. Implementation on a more comprehensive basis will be phased in over time. We believe that management should monitor the first phase of implementation, develop written procedures to ensure consistency in application and proceed with analyzing fee structures on a program-by-program basis. During the implementation stages, management will have the opportunity for evaluating all program and activity fees to determine if revised fee schedules are appropriate.

We appreciate the opportunity to have been of service to the City Commission and City management. We thank management and the City Attorney's Office for their cooperation.

Background

In July 1999, the City Commission requested that the City Auditor assist the Recreation and Parks Department in developing an alternative fee structure for non-city residents of the City of Gainesville. The issue of charging non-residents higher fees in programs sponsored by the Recreation and Parks Department has been debated since at least 1976 with the adoption of Policy P-76-2 imposing higher fees for non-residents participating in athletic programs as well as for the use of most City facilities and programs. There is much evidence of municipalities in Florida and throughout the United States and Canada implementing differential fee structures for residents and non-residents. The concept is similar among private clubs charging different rates for members and non-members.

In January 1999, City of Gainesville Recreation and Parks managers initiated a study to determine participation levels in the major programs offered by the department. The goal of the study was to determine participation by city residents and non-residents in the City's major recreational programs. The analysis included 18 programs in summer aquatic, youth summer playground programs and youth athletic programs. In general, the study found that the total participation rates for all programs were approximately 60% city residents and 40% non-residents. The Recreation and Parks Director reported that current programs suffer from a lack of resources in meeting the needs of the public and that youth athletic programs and summer recreation programs historically have waiting lists. Prospective participants are denied opportunities to play due to limited space and/or a lack of resources for additional program staffing and operational supplies. Recognizing these restraints, the Director presented this study to the Recreational and Cultural Advisory Committee in the spring of 1999 along with recommendations to address these issues. During last year's budget process, the City Commission accepted in concept the Director's recommendation that policies be established to:

- 1) Provide priority registration for City sponsored programs; and
- 2) Initiate a non-city resident fee structure for participation in City recreation programs.

The City Commission requested that the City Auditor provide assistance to the Recreation and Parks Department to ensure the policy would be fair and equitable. Our report summarizes reasons for supporting a differential rate for non-residents and provides information from communities around the nation. We found other municipalities to be most helpful in discussing the issue and providing information.

Scope and Methodology

We conducted our review in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Our objective was to determine whether data, methods and assumptions used by management provide a reasonable basis for implementing pricing changes in recreational programs that distinguish between residents and non-residents. Our review included procedures we considered necessary in the circumstances to evaluate the overall assumptions used by management in preparing and presenting the policy.

Scope and Methodology- continued

We reviewed program revenue and cost estimates developed by management to ensure accuracy and consistency in methods and assumptions. We participated in departmental planning sessions for developing an overall strategy of implementation and assisted in developing a cost model for determining direct costs of personnel, supplies and maintenance of specific recreational programs (i.e., football, aquatics, etc.). We interviewed current and former key management employees to discuss and gain a better understanding of relevant issues. We conducted a municipal survey on fee policies and procedures from other governmental organizations throughout Florida, the United States and Canada. We also analyzed the amount of federal and state funds used to support the construction and maintenance of certain facilities in order to validate the City’s financial burden and ensure compliance with grant agreements. The City Attorney’s Office provided valuable oversight and guidance throughout the process.

Overview - Recreation and Parks Department and Policy Implementation

The Recreation and Parks Department provides a comprehensive variety of recreational and nature programs, including golf, tennis and athletic sports, such as football, and leisure classes, such as ceramics and clogging. The Department also provides mowing and maintenance of all parks, facilities, natural areas and rights-of-ways. Total FY 2000 budgeted expenditures, including Ironwood Golf Course, are approximately \$5,670,000. Revenue sources include transfers from the Golf Course and Fleet Funds of approximately \$1,576,000 or 28%. Funds are sometimes borrowed for capital expenditures and financed over time, such as the Ironwood Golf Course. However, the main source of financial support is from the General Fund and taxes, although there are other sources of income such as registration and admission fees, rental charges, concessions, fund-raising, program advertising and grants. As shown in Table 1, the Department presently generates about \$1.2 million in user fees in various programs and activities recovering approximately 21% of overall expenditures.

| Table 1 | |
|---|---------------------------|
| Recreation and Parks User Fee Revenues | |
| Golf Course Revenues | \$ 887,371 |
| Pool Revenues | 66,752 |
| Recreation Center Programs | 62,589 |
| Baseball*** | 59,561 |
| Aquatics*** | 39,244 |
| Basketball*** | 22,770 |
| Football/Cheerleading*** | 15,625 |
| Recreation Centers | 14,986 |
| MLK Rentals | 10,971 |
| Memberships | 9,310 |
| Adult Sports*** | 9,029 |
| Athletics*** | 3,223 |
| Misc. | 2,841 |
| Total User Fees | <u>\$1,204,272</u> |

*** Note: Program is targeted for implementation of a non-resident fee.

Types of Differential Fees and Reasons for Establishing

We assisted Recreation and Parks in developing a differential pricing level based on the type of user, namely residents and non-residents. Throughout the nation, municipal recreation is faced with the policy decision of whether public recreation should be subsidized with tax dollars or should facilities and programs break even. The approach must be balanced as there are limits to the fees and charges that can be assessed against public programs. There is a risk that fees will begin to inhibit use and make the program inaccessible to some citizens. Charges should be fair and equitable and recognize the real cost of providing the service, as well as the qualitative benefits to the community. Community benefits can be social, economic or environmental in nature. For instance, quality recreational opportunities are a source of community pride and a catalyst for tourism.

In practice throughout the United States, there are various types of differential fee scales as well as different reasons for having them. In general, the types of fee scales can be based on:

- residency
- ability to pay
- program level (children, students, seniors, families or special groups rates)
- intended use (charging more for facility rentals if alcoholic beverages will be served)

Reasons often cited for establishing residency related fee scales are:

1. *To ensure residents are served first:* Residents are sometimes left out or placed on waiting lists because of a high participation rate by non-residents. Establishing non-resident fees may discourage program participation by non-residents and thereby open up spaces for residents. Priority registration also aids in alleviating this concern.
2. *To ensure benefits are returned to taxpayers:* There should be a direct correlation between those benefiting from recreation programs and those paying for the cost of providing them. City residents contribute to program costs through taxes and should receive a benefit or “discount” in a user fee differentiation. A counterpoint in this discussion is that non-residents working or traveling through a city contribute to the tax base by patronizing local businesses.
3. *To increase revenues:* Nationally, cities are experiencing decreased support from the General Fund and other tax-based funds. There is also a trend of increased pressure for supporting programs through higher user fees. However, increasing fees may have a negative impact if participants have other choices.

Recreation fees are charged so that a service or site can be maintained to meet public expectations. However, revenues are never enough to directly support the program. User fees are generally accepted by the public, however each community must weigh all facts and circumstances for program funding and make appropriate decisions whether to implement a differential fee-scale.

Types of Differential Fees and Reasons for Establishing – continued

Management must evaluate all factors on a program by program basis prior to increasing fees and balance the following key issues when considering any change in fees:

- Uniqueness and popularity of the program
- Rate of market competition and availability of competitive choices in the area
- Attractiveness of the program to those with resources to pay higher fees (proportion of economically disadvantaged participants)
- Risk that participants will stop participating if the fee is increased
- Costs to administer new fees are less than the possible benefits. (i.e., costs of changing point of sales systems and checking identification)
- Negative public relations

Survey of Actual Fee Practices

In order to assist in determining if imposing non-resident fees are customary, fair and reasonable, we surveyed other governmental entities. We obtained information on 40 cities, 27 from cities within the State of Florida, 10 from cities out of state and 3 from non-US cities. See Attachment 1 for the complete list of organizations. In summary, there is no one standard policy for charging non-residents as fee structures have developed and evolved through the years and applied to the uniqueness of each program. However, survey results indicate that 73% of municipalities charge non-resident fees in some form. Only 40% of cities impose non-resident fees across the board (adult athletics, youth athletics and other programs). The remaining 33% impose some form of non-resident fee under certain conditions. For instance, many cities impose a fee on adult sports only, but not on youth athletics because the programs are run by private organizations. Others impose it only on athletics, but not other programs. Table 2 summarizes actual practices:

| Non-Resident Fee? | No. of Organizations | % |
|----------------------|----------------------|-------------|
| No | 11 | 27% |
| Yes (unconditional) | 16 | 40% |
| Yes (athletics only) | 1 | 3% |
| Yes (not on youth) | 12 | 30% |
| Total | <u>40</u> | <u>100%</u> |

For the 29 organizations with fee structures, the most common method of implementing higher non-residency fees was through a flat dollar amount either per person or team, ranging from \$.25 - \$50. The percentage method (proposed by management) is the next most used method,

Survey of Actual Fee Practices – continued

with higher fees ranging from 20% - 100%. Table 3 summarizes the various methods cities use to impose such fees:

| Method | No. of Organizations | % | Range |
|----------------------|----------------------|-------------|----------------------------|
| Flat \$ Amount | 14 | 48% | \$.25 - \$50 |
| % Only | 5 | 18% | 20% - 100% |
| Membership Fee + % | 3 | 10% | \$20 - \$100, plus 15%-60% |
| Membership Fee Only | 3 | 10% | \$25 - \$60 |
| \$ Amount Per Season | 2 | 7% | \$10 |
| Other | <u>2</u> | <u>7%</u> | Misc. |
| Total | <u>29</u> | <u>100%</u> | |

Conclusion

Management has selected several recreational programs to enhance resident participation by providing a one-week time period for priority registration for City residents and imposing a 50% fee supplement to non-residents. In our opinion, management's proposed method should be helpful in resolving the issues discussed earlier regarding waiting lists and more equitably distribute the expenditure burden. If non-resident participation remains constant, the anticipated benefit could be up to \$25,000 during this phase of implementation. Management believes that administrative costs will not increase significantly.

Based on our review, we believe that management has established a rational foundation for implementing an alternative fee structure for non-residents of the City of Gainesville that is fair and equitable. The City Attorney's Office has reviewed the foundation and believes it legally sufficient for implementing such a fee system.

Current plans are first to initiate the policy in athletic and aquatic programs. According to management, implementation on a more comprehensive basis will be phased in over time. We believe that management should monitor the first phase of implementation and develop written procedures to ensure consistency in application. Success of all programs requires that Recreation and Parks continue to increase program participation levels and offer classes at convenient times and locations in a customer-friendly atmosphere. Although charging non-residents may increase revenues slightly, providing better recreational services to the citizens of Gainesville is the main thrust of the policy. The best potential for increasing overall revenues is to increase overall program participation.

Conclusion - continued

Since projected financial resources will be getting tighter in the near future, we suggest that management evaluate the pricing of all existing program and activity fees for opportunities to maximize revenues. A strategy should be developed to review existing fees and charges and develop a pricing policy and revised fee schedules. The Recreation and Parks Department will need to consider the following factors when determining prices for its various services:

- Market comparisons to other local municipalities and private enterprises
- Benchmark comparisons to other municipalities outside the local area
- Cost of operation (both direct and indirect costs)
- Averaging the costs among facilities to establish a common rate, such as the pools
- Public benefit programs (programs supported at higher levels of public support) such as special needs programs, youth programs, etc.)

Fees and charges should be reviewed periodically to ensure they remain fair and equitable. Scholarships and subsidies also need to be considered. Public notice of increased fees should be given as far in advance as possible.

Attachment 1

Survey of Municipal Organizations January 2000

Florida Municipalities

| | | |
|-------------------|-------------------|--------------------|
| Alachua** | Kissimmee** | Palm Beach Gardens |
| Altamonte Springs | Lakeland | Pompano Beach |
| Boca Raton | Largo | St. Petersburg |
| Brooksville | Leesburg | Tallahassee |
| Clearwater | Melbourne | Tampa** |
| Cooper City | Miramar | Temple Terrace |
| Coral Springs | North Miami Beach | West Palm Beach |
| Ft. Lauderdale | Ocala** | Vero Beach |
| Gainesville** | Ormond Beach | Volusia County** |

United States Organizations

| | |
|-------------------------|--------------------|
| Chesterfield County, VA | Norfolk, VA |
| Garland, TX** | Philadelphia, PA** |
| Henrico County, VA | Portage, MI** |
| Kansas City, MO | Stockton, CA |
| Missoula County, MT | Tempe, AZ** |

Canada

North York, Ontario
Saskatoon, Ontario**
Owen Sound, Ontario

** Does not impose higher fees on non-residents.

Recreation and Parks Department Fee Differential Implementation

The Recreation and Parks Director provided a presentation to the City Commission in July 1999, regarding the program participation survey conducted in January 1999. The survey showed the actual number of participants in each area of active recreational programming. It provided the breakdown of city and non-city participants in each area, based on actual numbers from the 1998 season. The survey was grouped into three major recreational areas: Athletics, Aquatics and Centers/Playgrounds. In the Athletics programs there were 50.7% city residents versus 49.3% non-city residents. In Aquatics there were 67.5% city residents versus 32.5% non-city residents. In Centers/Playgrounds there were 67.6% city residents versus 32.4% non-city residents.

Due to the high number of non-city residents participating in our programs, especially Athletics, the Department has experienced a greater demand for programs than we can meet. Currently, we have waiting lists in all of our major athletic programs.

As a result of this presentation, the Department (with assistance from the Auditor's Office) was directed to bring forward a recommendation for implementation of a new fee structure for these programs. The Department is now prepared to present its plan for implementation of a two tiered fee structure in which city residents effectively pay 33% less than non-city residents for programs and are provided a priority registration period for all programs.

The Department's strategy for implementation will include allowing city residents to register first for all programs and then open the remaining slots to non-city residents. We will also implement a 50% increase in program fees to all non-city residents. We will begin the implementation of fee increases and priority registrations with all athletic programs beginning October 1, 2000. We will then implement the increased fees and priority registration for all Aquatic and Center/Playground programs in spring 2001. Finally, we will implement the fee differential increase for facility rentals and golf course operations. We believe this plan will ensure city residents are served first and receive more benefit.

As part of this process, the Department also worked with the City Attorney's office to ensure compliance with all state and federal guidelines for fee implementation.

Anticipated annual revenues to be generated by the increase of fees to "out-of-city residents" is \$24,566. The Department requests that this revenue be set aside in a special capital infrastructure improvement account to be utilized for refurbishing existing recreational facilities, enhancement of facilities or to build new facilities.