



Maricopa County
Parks and Recreation

Revenue Philosophy

2012



Introduction

In the field of Parks and Recreation, funding operating and capital improvement costs of park services, amenities, and land acquisition is a constant source of varied opinion and discussion. Most agree that providing open space and recreational opportunities improves the physical and psychological health of the community. A strong park system makes a community more attractive; the availability of open space to recreate improves health, creates a sense of ownership in the area, and provides economic benefits by helping to draw businesses to well-planned and socially responsible communities.

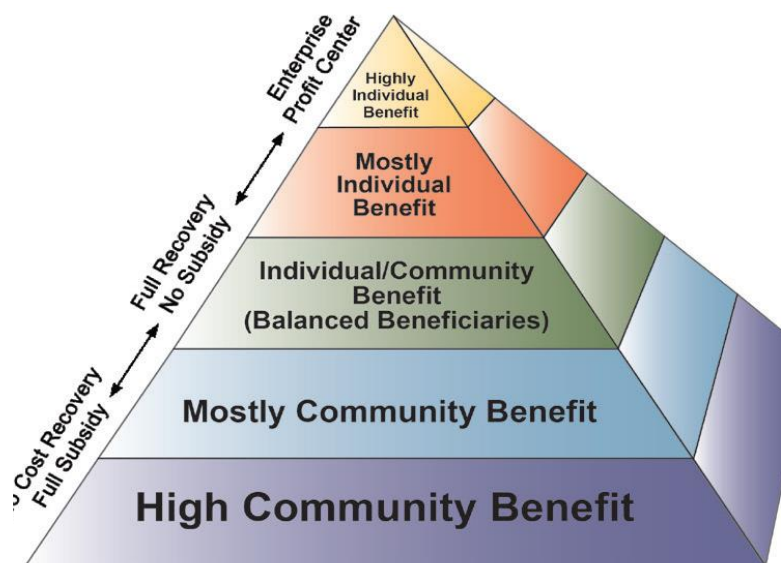
Maricopa County Parks and Recreation (MCPR) offers diversified outdoor recreation, educational opportunities, and related services to the residents and visitors of Maricopa County. Through its regional parks and conservation areas, MCPR provides significant open space preservation while providing camping, hiking, biking, picnicking, boating and other recreational activities in addition to significant educational programming focused on the Sonoran Desert and surrounding community. Funding for these services is done through a complicated structure of user fees, general fund (tax based support), grants, donations, and concessionaire revenue.

Over the course of the last several years, MCPR has been faced with funding reductions from the County's General Fund for park operations while new costs for Central County services (CSCA) have been pushed to the Department. This overall reduction in tax support has forced the Department to evaluate how existing park operations are funded and outline a revenue philosophy the Department will use to ensure future operational funding. It is not enough to keep the gates at each park open; providing high-level recreational and educational opportunities and services the public requires a focused, well-planned revenue strategy that coexists with the wants and needs of the community that is served.

Parks and Recreation Funding Strategies

Traditional models for financing parks and recreation operations are done with the majority of funding from tax support with some reliance on user fees. The premise is that all residents benefit from parks and open space to some degree; therefore, user fees are kept at a minimum to encourage participation and other benefits such as tourism spending, healthy lifestyles, business attraction and resource protection.

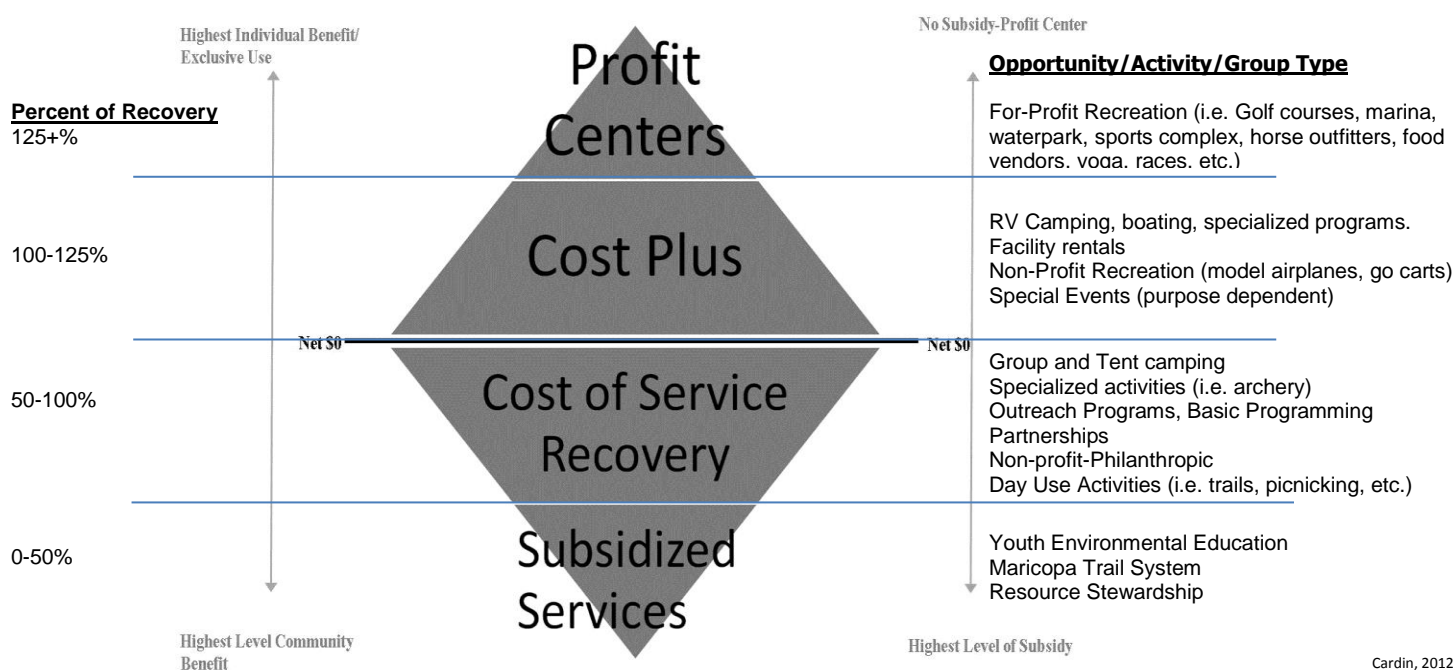
The traditional "Cost Recovery Pyramid Model" is a strategy used to determine cost recovery goals. User fees are instituted when the benefit received is more individualized; tax or general fund support provided when the community benefit is greater than the individual benefit. This methodology is built on the understanding of *who* is benefitting from a parks and recreation service in order to determine *how* the cost of the service should be funded.



Starting in late 2007, as the economy began to struggle and available tax support was reduced, a new approach to park and recreation funding was needed. As opposed to the pyramid model where most services are fully or heavily subsidized at the base, a “Diamond Model” has emerged. The diamond model and philosophy recognizes that certain services and programs offer a high degree of community benefit, but only those of the highest magnitude receive a significant subsidy. Those subsidies are then offset by an equal level of profit center activities and/or alternate funding.

In this model, park and recreation operations are sustainable primarily through derived revenues or income. The lower portion of the diamond model can only be expanded if profit center activity increases or donations, sponsorships, or concession revenue are used to offset the cost of providing a subsidized service.

Diamond Model



Note: 1) Model incorporates direct and indirect operating expenses only, to include administration, operations and maintenance and normal upkeep and repairs. Major capital development and land acquisition is dependent on County General Fund or other Sources. 2) Ideally, items such as the Maricopa Trail and resource stewardship will receive some level of general fund support.

Diamond Model Categories

Profit Centers: This category reflects services that provide a high level of individual benefit. User fees could recover more than the full cost for a service in order to subsidize other services provided to the community. These activities may also be provided in the private sector and no public funding should be used to subsidize operations of such activities. Examples in this category include golf courses, marinas and water parks.

Cost Plus: This category applies to the provision of services that have a high degree of individual benefit and a relatively lower level of community benefit. These activities may also require a higher degree of

management or create more stress on park resources. User fees should recover the full cost of services that benefit specific groups or individuals. In addition, costs for all overhead and administration, including County Central Service and Internal Service fees, should be recovered in this category. Long-term operations and maintenance such as roof repairs and facility renovations may also be considered, if appropriate. Examples in the Cost-Plus category include RV camping, boating and special events.

Cost of Service Recovery: This category applies to the provision of services or activities that have a relatively high degree of individual benefit and an equally high level of community benefit. User fees should recover the full cost of services but a lesser amount of administrative and overhead charges should be used in calculating the fee. Park day use activities such as hiking and picnicking fall into this category.

Subsidized Services: This category should apply to those activities and services that have a very high degree of community benefit. In general, the service is equally available to everyone in the community and should benefit everyone. Because the service is basic, it is difficult to determine benefits received by one user. New park start-up operational costs for a defined period of time may also fall into this category. Resource protection, Maricopa Regional Trail and certain environmental education programs for youth would be in this category of subsidized services.

The Diamond model falls more towards the funding of a not-for-profit organization rather than a traditional government function or program. Revenues derived through provided services must cover the vast majority of operating expenses with tax or general fund support provided to enhance only those services that provide the highest level of community benefit. This funding strategy meets the needs of a more self-reliant operation while also providing funding to ensure services with little ability to generate revenue like open space preservation, resource protection, and some educational services continue to be funded. This ideology serves as the requisite funding strategy for Maricopa County Parks and Recreation; charging user fees and utilizing profit centers to cover significant portions of operating cost while continuing to receive very limited general fund support for those program and areas that are unable to generate revenue but provide high community benefit.

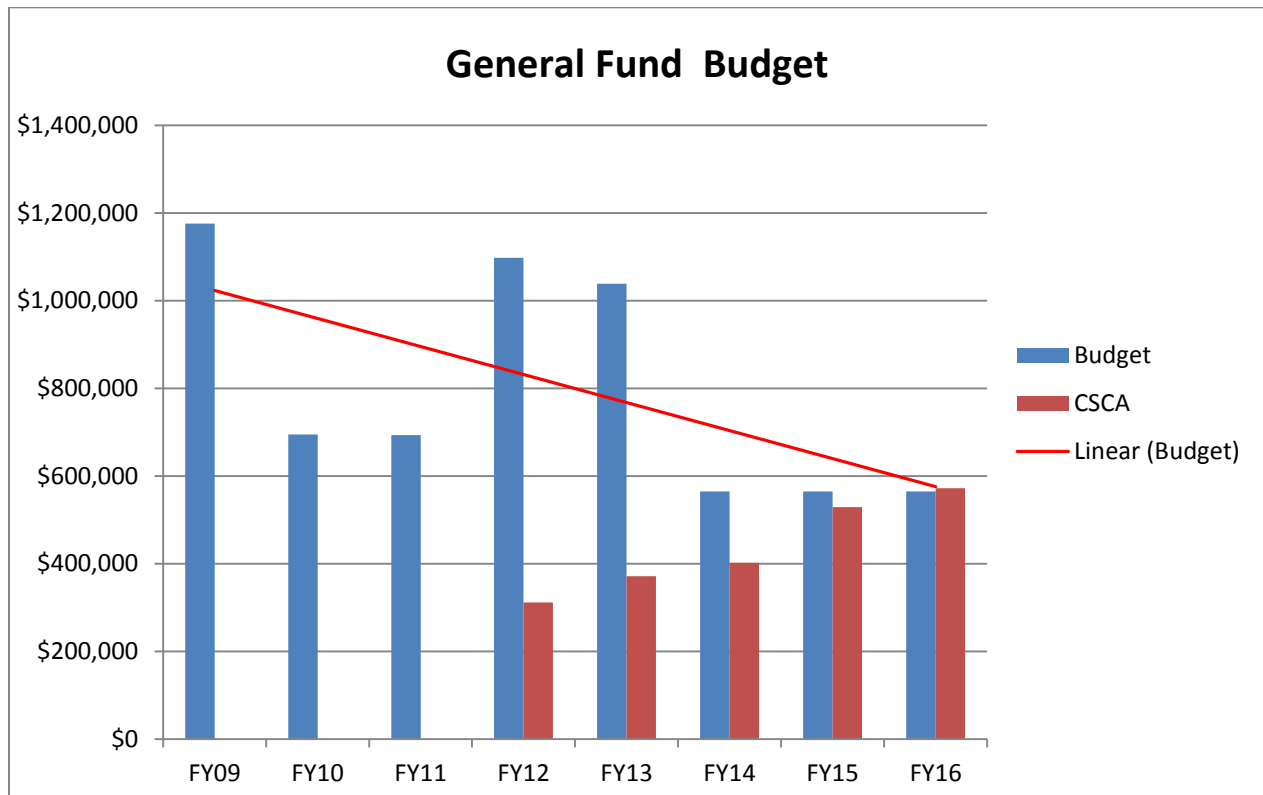
Capital funding strategies also work well within this model. Major maintenance/repair projects, new facilities, facility upgrades, and general park acquisition and open space preservation would be heavily subsidized by the general fund. These types of capital needs are beneficial for the community as a whole; not only is the community demonstrating a backing for the health and wellness of its citizens; a strong parks and recreation system provides economic benefits as well. These communities are more attractive for growth and relocation of businesses by improving the economic quality of the community which, in turn, benefits all citizens and not just users of the park(s). From this perspective, capital funding falls within the lower half of the diamond with high community benefit and it would be a heavily subsidized service.

Maricopa County and Parks and Recreation Funding

In 2008, like most of the Country, Maricopa County began to experience significant revenue shortfalls. The impact of the recession on state revenues was severe and long-lasting with these challenges passed on to the County and in turn, to all departments. Parks and Recreation is a “non-mandated” service and although public demand for protecting open space and providing recreational services remains high, funding of such

operations was cut to ensure funding was available for mandated services such as law enforcement and public safety.

Over the course of the last 30 years, MCPR has gone from being approximately 50% funded by tax or general fund support to being approximately 90% self-reliant with only 10% or less of the operating budget submittal supported by the general fund in FY16. In addition, over the last 10 years with the General Fund cuts of up to 50% the Department also incurred significant increases in CSCA charges (i.e. technology applications, central government charges) that had previously not been levied against the department until Fiscal 2012. With the Fiscal Year 2016 budget cycle, payment for Central Service Cost Allocations has exceeded General Fund revenue coming into the Department.



Continued cuts to general fund support have forced the Department to review all recreational and educational services offered and determine where charges for services will be applied. Regardless of the benefit to the community as a whole, reliance on tax based operating support for Maricopa County Parks and Recreation has been nearly phased out.

Further support of the County’s push to create self-reliance in Parks and Recreation is the adoption of *Budgeting and Accountability Policy* (County Policy B1011). This policy states:

- Grants and Special Revenue Funds will be used wherever possible for direct programmatic costs and appropriate indirect and Central Service Costs. Departments will report to the Board non-appropriated funding sources available to support their operations and programs.
- Where appropriate, services and programs will be supported by user fees. Fees should be developed based on current market conditions and on full cost recovery, including Indirect Costs. Fees and fee

revenue will be reviewed annually in conjunction with the budget development process. Additional revenue from proposed fee increases may not be budgeted until fees have been approved by the Board.

These statements set the framework for the adoption of full cost recovery user fees for park services by mandating that general fund support will be provided as a last resort. The policy also states that all direct and indirect costs will be recovered; this statement alone implies that general fund support is not to be used to recover any part of operating costs for services and programs.

Fortunately, the policy does state that user and other fees should recover costs but also provides the opportunity to have user fees reflect market conditions. Simply put, MCPR will be required to charge user fees or find other funding solutions to recoup direct and indirect funding of park operations with some room to adjust fees based on market conditions and the client base the fee will most strongly impact (i.e. youth programs vs. adult programs).

Determining Fees and Charges

MCPR staff has developed a basic framework for the determination of charges for services. Based off the political funding climate in Maricopa County, the framework provides that all direct and indirect operational costs be recovered through user fees, concession revenue, grants, donations, volunteers, and a small amount of general fund support. Using this philosophy, revenue sources will be developed as follows:

User Fees: All services provided by the Department will be calculated at 100%, 75%, 50%, and 25% cost of recovery to determine some form of user fee. From there, benchmarking will be completed on each fee category and individual fee to determine current market rates and trends. Additional considerations for high community benefit will also be included in the determination of user fees. When possible, user fees will be set to recoup 100% of the cost of the service provided. However, when 100% recovery is not feasible due to market conditions, level of community benefit vs. individual benefit, or the predominant clientele of the service (i.e. children's programs), concession revenue will be utilized to offset any/all shortfalls in operational spending.

Concessions: This category reflects services provided by outside entities who utilize park land to conduct their business. Concessionaire charges are determined based on market conditions with each individual entity required to provide some level of revenue to subsidize park operations. Examples of various concession contracts: golf courses, marinas, water parks, food vendors, scuba instructors, etc.

Donations: Donations will be accepted at all times. Unless specifically stated by the donor, these funds will be utilized to supplement animal food and habitats, small park project costs, and any other operating expenditure identified.

Grants: Grant funding will be aggressively sought to offset operational costs. When awarded, grant funding will be spent first, before user fees or other revenue sources.

General Fund: Parks will make every effort to maintain current levels of general fund support to help offset the costs of central service charges from central County government. The Department will seek additional general fund support when operating costs involve a new park or program where user fees are not sufficient

to support the new activity until it is established (i.e. opening a new park where user fees have not previously been charged).

Capital Improvements: Capital improvements, renovation and major maintenance projects and land acquisition should not be included in calculating fees and charges. Investment in the long-term sustainability and improvements for both current and future visitors should be considered an investment in the quality of life and health of the community and therefore funded by other means including General Fund, Bonds, donations and partnerships.

Volunteers: Although not a direct source of revenue, the Department is committed to expansion of staffing through volunteer services. Staffing costs account for a significant portion of operating expenditures and a diverse and skilled volunteer workforce helps to offset these costs. Volunteers play a significant role in park operations and are invaluable in keeping costs low. As part of any user fee or revenue generation discussion, MCPR will look for additional ways to expand and cultivate volunteer opportunities; ensuring derived revenue is used in the most effective and efficient way possible.

Determining fees will also depend on the desire of the County to wholly or partially fund resource sustainability measures such as stewardship and conservation programs and practices. If General Funds or other funding sources are set-aside specifically for these purposes they can be segmented and removed from the cost of service model.

Fee Adjustment Considerations

In some instances, setting fees based purely on cost of service and level of individual benefit may not be most advantageous to the long-term health of the park system from a business perspective or from a stewardship perspective. Fee adjustments, both up and down, may be influenced by a host of factors or filters.

Market rate/Benchmark Filter: When demand is such that a service can command a fee in excess of cost of service, then it is not inappropriate to set the fee at a benchmark level. Conversely, if a service is priced in the market place that cannot be sustained by the department in terms of cost recovery, a decision must be made to evaluate and cut the cost of providing the service, eliminate the service entirely or make a conscious choice to subsidize the service.

Marketing Filter: What is the effect of the program or service in attracting and retaining customers? Will promotional programs or pricing generate free advertising for the program, service or the system?

Incentives Filter: Will providing incentive pricing encourage bulk purchasing or larger groups to use the facilities and services during off-season or non-prime times that may increase revenue during lull periods? Incentive pricing may also be used for new programs and services to test the program content and adequacy of the facilities.

Benefits Filters:

- **Environmental:** Will the program or service create long-term and sustainable environmental benefits to air quality, water resources or wildlife populations?

- Economic: Will the program or service provide substantial benefits to the local or regional economy?
- Social: Will the program or service provide significant social benefits for a wide segment of the population?

Special Groups and Situations

At times, it makes sense to provide certain population groups a discounted rate. Some of those special circumstances and currently Department offerings include:

Youth: Reduced fees should be considered for youth eighteen (18) years of age or younger based on the program exclusivity and other equity considerations. The Department currently has some youth based fees for archery and for day use entry at Spur Cross Conservation Area.

Non-County Residents: Non-county residents comprise 10-15% of the park visitors. Non-residents do not pay property taxes but they do, in many instances, contribute heavily to state and local sales taxes. In some situations where non-residents may exclude or diminish use by county residents, a non-resident fee could be explored.

Senior Citizens: Due to the fixed income of many residents sixty-two (62) years of age and over, senior discounts may be appropriate. For this reason, the Department offers a 24% discount (\$20) for day use annual passes. Conversely, a large segment of seniors have the highest reported disposable income of any age segment. Therefore, other programs and services continue to be charged at the same rate as the general public.

Veterans: It has become relatively common for parks to provide discounts and waivers for military veterans or more particularly disabled veterans due to their diminished income earning potential and service to the country. The department currently offers a 50% discount for disabled veterans for day use annual passes.

Prime Time versus Off-Peak: Fees may be increased (or conversely decrease) for certain services at prime times of the day, week, month, or year. The reason for prime time pricing is to control or limit the use of a facility during periods of potential overuse and to compensate for off-peak losses of revenue.

Annual/Season Passes and Coupon Books: Passes may be offered at various parks or facilities and coupons issued for amenities or various services to encourage use and to reduce the costs of fee collection and provide a higher level of convenience to repetitious users. Passes also help to build brand loyalty. The Department currently offers both season passes and coupon books.

Waivers

On rare occasions, fees and charges may be reduced or waived completely when such action is determined to be in the best interest of MCPR and the service applicant. Permanent waivers should be held to a minimum, agreed to at all levels in the county structure and adequate revenue off-sets must be identified. Examples of waivers include:

Non-Profit Waiver Requests: Local non-profit organizations who cannot otherwise afford a particular fee may secure waivers or reductions of fees through accomplishment of a special park project valued at equal to or greater than the value of the waiver being requested. It is expected that whenever possible, these organizations will pay for the services requested and not become reliant on waivers.

Partnership Opportunities: Partnerships can bring significant operating capital to an event or service in the way of in-kind labor, volunteers, marketing and advertising, equipment, special talents or other resources. Sponsor involvement and resources can have a broad range, and therefore, any fee waivers or fee reductions should be made with a clear understanding of the degree to which a partner will sponsor an event or service. The department must also clearly identify the revenue to be gained from concessions, entrance fees, etc. when making any waiver determination. Waivers could be granted primarily for facility rentals but other waivers can be granted if other revenues or benefits equal or outweigh the waivers being requested/granted.

Conclusion

Providing high-level recreational and educational opportunities and services to the citizens and visitors of Maricopa County requires a focused, well-planned funding strategy that coexists with the wants and needs of the community that is served. The political climate and economic challenges faced by MCPR require flexibility and adaptation; use of the Diamond Model is pragmatic given current County policy.

MCPR will continue to apply a varied approach of user fees, concession revenue, donations, grants, volunteer use, and general fund support to meet all operating expenditures while operating within the parameters set by the Board of Supervisors for Maricopa County. Any approach taken will also include ways to enhance visitation and customer satisfaction by providing discounts and low cost services when possible, focus fee development based on individual vs. community benefit, and also allow for stewardship and open space preservation to meet the mission and vision of Maricopa County Parks and Recreation.