



Department of Parks & Recreation
Standard Operating Procedure: Cost Recovery

Topic: Department Policy: Cost Recovery

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Section 1. Purpose

The purpose of this policy is to provide general guidelines for establishing fees and charges for parks and recreation department operations and ensure efficiency and accountability for services, programs, events, and rentals (Program).

Section 2. Definitions

Cost Recovery

The method to recovering an expenditure which a business takes on.

Cost Recovery Pyramid

The creation of a cost recovery philosophy and policy is a key component to maintaining financial control, equitably price offerings, and identifying core programs, facilities and services for an agency.

Direct Costs

Those costs which are easily and clearly identifiable to the cost objective (program, service or facility).

Indirect Costs

Costs that benefit more than one cost objective and must be allocated proportionally.

Section 3. Frequency of Policy

A review of this policy should be conducted and appropriately updated every three years. Fees and charges (Section 12) should be reviewed annually to determine if adjustments are required.

Section 4. Public Access to Fee Information

Parks & Recreation Cost Recovery Policy and the Fees and Charges Policy will be available for public access through the Town Clerk's Office.

Section 5. Types of Fees

Admission Fees

Charges made to enter a facility, tournament, performance, or 1 time program occurrences. Examples include: Yoga, Zumba, etc.... In these cases a single flat rate is charged for each age group as necessary. This will allow the cash management process to be effective, efficient, and customer friendly. Fees should round to the nearest whole dollar including tax.

Rental/Permit Fees

Fees for the privilege of exclusive use of facilities, amenities, or equipment. Fees should round to the nearest whole dollar including tax. Non-resident rates apply.

User Fees

Fees charged for non-exclusive use of facilities, amenities, or programs. Fees should round to the nearest whole dollar. Non-resident rates apply.



Sales Revenue

Revenues obtained from the operation of stores, concessions, etc... Fees should round to the nearest whole dollar including tax; however, due to the nature of concessions sold exceptions can be made.

Section 6. Determining Cost Recovery Levels

In order to set cost recovery levels, the following considerations should be made:

- Nature of services
- Proportionate and reasonable costs related to the programs
- Sensitivity to the market for programs
- Federal, state, or county agency use
- User offers reciprocal fee waiver for the City
- Applicable to town and departmental goals
- Community versus individual benefits

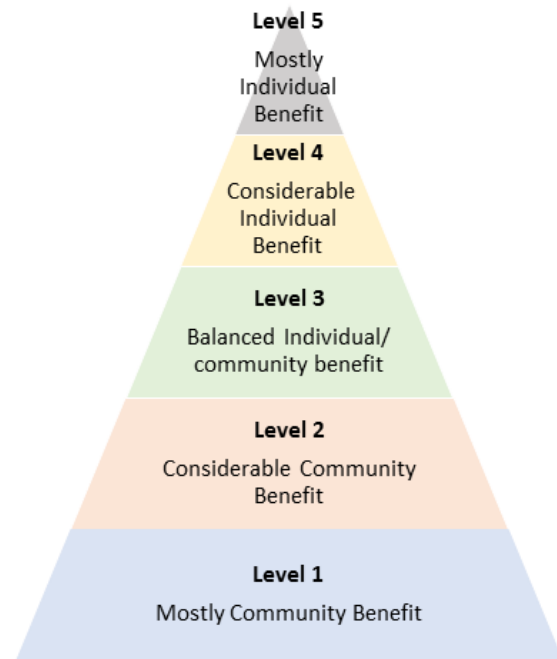
Section 7. Cost Recovery

The department sets revenue and expense goals annually during the budget process. In order to be efficient and sustainable, it is necessary to recover a percentage of cost for some programs offered by the department. Programs are evaluated based on the criteria outlined below.

Cost Recovery Pyramid

Programs will fall into 1 of 5 levels based on their benefit to the community versus the individual. The recovery rate assigned to each level is an expectation under optimal conditions. The department recognizes that additional internal and external factors may adjust a program's cost recovery.

Programs not currently operating in the optimal level should work to move to a cost recovery percentage within the assigned level over time. Staff must be conscious of long standing programs that are of great benefit to the community and town residents as to not take drastic measures to fulfill expectations.



Pyramid Level	Level of Community Benefit	Types of Programs	Level of Direct Cost Recovery
Level 1	Mostly community benefit	<ul style="list-style-type: none"> • Support Services • Inclusionary Services • Community Wide Events • Open Park Usage 	0-10%
Level 2	Considerable community benefits	<ul style="list-style-type: none"> • Beginner classes, workshops, and clinics • Recreation athletic league • Volunteer programs 	11-40%



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Level 3	Balanced Individual/community benefit	<ul style="list-style-type: none"> • Intermediate classes, workshops and clinics • Camps, Before and After School Care • Rentals (Non-Profit)* 	40-69%
Level 4	Considerable Individual Benefit	<ul style="list-style-type: none"> • Competitive- Classes, workshops, and clinics • Restricted Leagues and Tournaments • Senior Programs & Day Trips 	70-99 %
Level 5	Mostly Individual Benefit	<ul style="list-style-type: none"> • Chartered Trips • Equipment Rentals • Permitted Services • Rentals (private)* • Tenant Leases • Merchandise • Concessions/Vending • Private lessons/programs 	100+%

*Refer to Section 11.

Section 8. Nonresident Rates

To increase the benefit to residents, the nonresident rate shall not exceed \$20 higher than the resident rate for programs. Programs such as Weight Room and Get Fit Pass have lower non-resident rates as identified in the fee schedule. Nonresident rates for rentals are to be charged as identified in the fee schedule. By increasing nonresident participation, overall cost can decrease therefor allowing residents to pay lower rates and increase opportunities for programs to meet cost recovery expectations.

Section 9. Setting Fees & Charges

Fees and Charges are set annually through the budget process and are approved by the Board of Commissioners. Staff must recommend fees and charges based on the following considerations:

- Cost Recovery Level classification
- Determining the direct cost of the Program
 - Facility
 - Supply, Equipment, Materials, etc...
 - Instruction, Official, Staff, etc...
 - Advertising
 - Special Services: insurance, transportation, admission, etc..
 - Printing, mailing, etc...
- Current market rate of a similar Program in close proximity. Conduct a comparison of 1-3 similar programs and adjust accordingly.
- Determine nonresident rate.
- Consider partnerships.
- Community sentiment & expectations
- Political & social will
- Equity in pay opportunity and ability to pay



Section 10. New Program Start Up

Staff must follow trends and are encouraged to develop new programs that will benefit the community. New programs create opportunities to maintain higher levels of community satisfaction. Cost Recovery may be phased in due to developmental and start-up costs. These programs should be able to feasibly meet the appropriate level in a timely manner. Those not able to do so should be reevaluated before continuation.

Section 11. Fee Waivers & Sponsorships

A fee waiver may be deemed acceptable and in the best interest of the town in certain circumstances.

The following criteria sets a standard for consideration of fee waivers:

- Programs related to charitable, not-for-profit activities or services
- Programs directly related to the City's Operation
- Programs that support environmental activities
- Programs that are initiated or requested by the Board of Commissioners, Management, or Parks and Recreation Department Head

Fee waivers must meet 1 or more of the above criteria for consideration of a fee waiver.

Scholarships

Financial challenges should not prevent a participant from benefitting from department Programs.

Scholarship opportunity information should be made readily available to customers/participants.

Scholarships are managed by the Human Relations Department.

Rentals (Non-Profit)

Reduced rental rates for 501c or school organizations are available.

- 501c/school organizations in partnership with the Town of Zebulon: Town resident rate less 50%
- 501c/school organization free event: Resident rate less 40%
- 501c/school organization ticketed event: Resident rate less 30%

Requests for reduced rental rates must be submitted in writing no later than 60 days before the event date. Please include:

1. Rental Application
2. Free or ticketed event?
3. 501c documentation
4. Detailed explanation of how the event will benefit Town of Zebulon Residents directly

Rentals (Private)

Reduced rates may be considered for extended term rentals. Such consideration is given to those organizations that are implementing recreational activities in line with the town and recreation department goals. Such consideration must be requested in writing and should reflect a minimum participation fee that is consistent with regional industry standards.

Section 12. Fees & Charges

Fees and charges should be reviewed annually to determine if adjustments are required. These charges are to be submitted via the annual budget cycle and approved by the Board of Commissioners.