



COST RECOVERY, RESOURCE ALLOCATION, AND REVENUE ENHANCEMENT STUDY

APRIL 2015

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Executive Summary

Introduction

In 2014, the Lisle Park District embarked on a cost recovery, resource allocation, and revenue enhancement study. This enables the District to reposition some of its programs and services with the primary goal being to realize greater cost recovery, thereby reducing its reliance on tax dollars. The project process and outcomes guide the District in evaluating its pricing strategy to ensure that it is running at its optimal level, and the system is sustainable in the long run. This transforming process required aligning with the mission, vision, and values of the District. It included a review and assessment of services, programs, and facilities (services); categorization of services based upon the level of community versus individual benefit; identification of direct and indirect costs; and an evaluation of current pricing methods.

Although fee adjustments are likely, the goal is not to simply generate new revenues through fees, but to ensure a sustainable system into the future by using tax revenues and fees in the most appropriate ways, supplemented where possible by grants, donations, partnerships, and other sources of alternative revenue. The new practices will allow the District to allocate its resources wisely and provide valuable information for decision making and setting priorities for improvements and changes to the system.

The Project

This comprehensive effort and approach to providing services is undertaken to introduce and implement strong “best practice” business tools to the District. Parks and recreation services are varied and make up a lot of smaller “businesses” that each have their unique place in the market and appeal to the population in a myriad of ways. The overall goal of this plan is to initiate and sustain practices and examine policy and rules affecting overall desired outcomes of a healthy and vibrant community.

The Resource Allocation and Cost Recovery Philosophy, Model, and Policy provides a rational, thoughtful approach to allocating resources and setting fees for programs and services. The District is mindful of those residents who may have financial challenges, and provides assistance through a practice of limited fee waivers and working with the Lisle Partners for Parks Foundation.

The following is driving this process:

- To lay the foundation for the development of a philosophy for how to determine and implement appropriate fees to accomplish overall goals and support the District mission.
- To have a mechanism and consistent language for communicating how taxpayer funding is used.
- To lessen the District’s dependence on tax funds by approaching, or even exceeding, cost recovery goals as determined through this process.

Project Approach

A Project Team comprised of staff from the District, as well as Board members who participated in various parts, was established to review practices and existing policy, to become familiar with the Pyramid Methodology, to work with the public to understand its values, and to recommend the best cost recovery practices. They identified typical and measurable direct and indirect costs associated with providing programs and services, and defined financial terms specifically relative to District operations and goals. They assisted with facilitation of public engagement and ultimately defined categories of programs and services with associated target cost recovery minimums.

Citizen Engagement

Ninety community members dedicated 2½ hours of their time to participate in discussions and an activity about balancing the community benefits and individual benefits of programs and services provided by the District. This approach, providing 225 hours of meaningful volunteer deliberation, allowed staff to understand which programs and services the public considers to have mostly community benefits, which ones have mostly individual benefits, and which ones have a balance of benefits in between. It also allowed participants to better understand their fellow citizens' perspectives.

The Lisle Park District Cost Recovery Pyramid Model

A consensus pyramid from the public sorting process was created with each category of service placed in the appropriate tier of the pyramid based on the Benefits filter and other filters. Current cost recovery percentages were calculated based on a more specific and consistent definition of direct and indirect costs.

Cost recovery targets were then identified for each level of the Pyramid to assist in future planning and determination of appropriate pricing. These targets are expressed as tier minimums on the Cost Recovery Pyramid.

The Lisle Pyramid with a first pass at current cost recovery levels is shown in **Figure 1: Corporate and Recreation Services** and **Figure 2: Enterprise Fund**. Current cost recovery, shown in the pop-out boxes will be refined over the first year of implementation as steps are taken to more accurately account for revenues and expenditures by service area. These figures also each show the ***recommended minimum target cost recovery*** for each tier of the pyramid (as indicated on each tier). This determination was made to reflect the Lisle community and align with the thinking of policy makers regarding broad picture financial goals and objectives.

This approach empowers the District to maximize its use of fees and charges to supplement the tax investment and allows it to affirm its priorities for investment. The Lisle Park District is not a static operation and needs flexibility within a philosophically based structure to appropriately carry out its business. This model will allow it to do so.

Figure 1: Corporate and Recreation Services

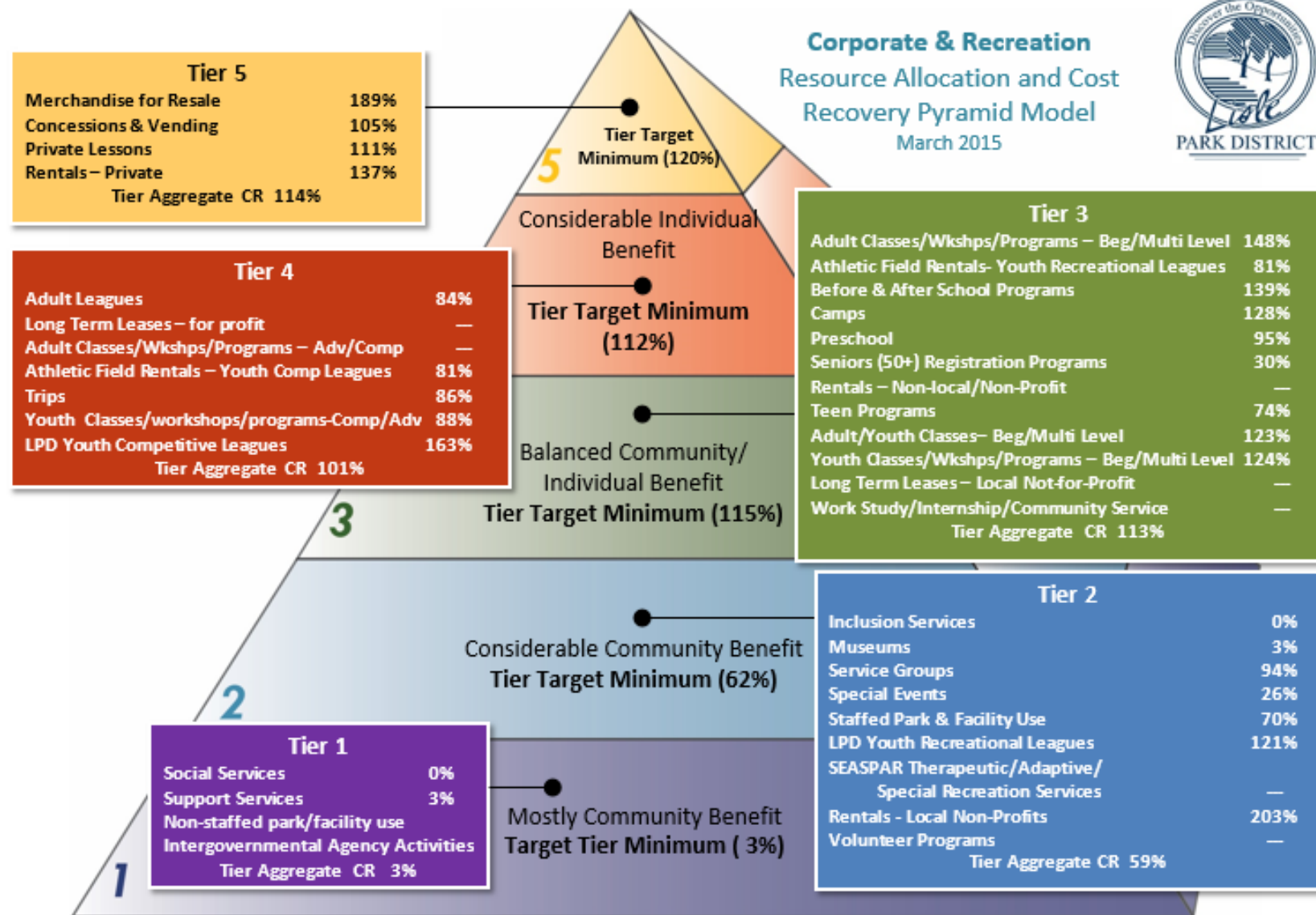
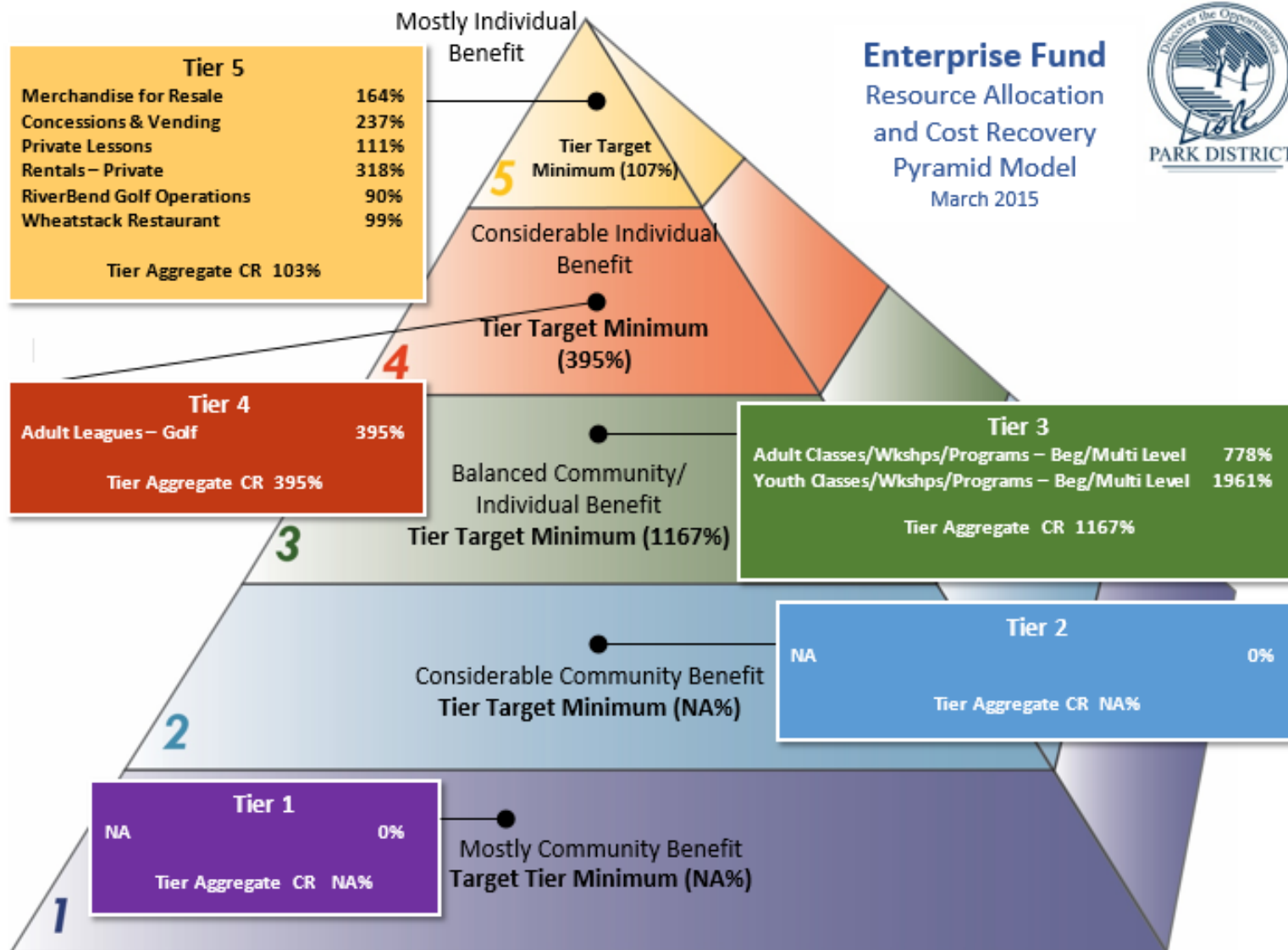


Figure 2: Enterprise Fund



Key Findings

Key Findings determined as this process was pursued are detailed in the body of this document. They include the challenges of cost accounting to align revenues and expenditures for each program and service, how tier target minimums work and the need to evaluate and perhaps reset the targets after year one, fee setting and adjusting, maximizing fees for non-resident use, eligibility and funding for need-based discounting, accounting for volunteer services as a cost avoidance strategy, the questioning of the Museum as an appropriate and sustainable operation, and the value of this exercise in supporting Agency Accreditation.

Recommendations

Recommendations are made to address the Key Findings and others. They begin with the adoption of a Cost Recovery Policy Statement articulating the philosophy and overall policy of the District. Specific recommendations follow in Areas of Focus including:

- Policy Strategies
- Administrative Strategies
- Revenue Enhancement
- Cost Avoidance Strategies
- Tier Specific Cost Recovery Strategies
- Evaluation and Performance Measures
- Planning for the Future

The specific strategies are detailed in the main report.

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Introduction

Cost Recovery is a complex subject. Essentially, it represents a decision to generate revenues by charging fees for some, or all, programs and services relative to the total operational costs to provide them. Cost recovery does not imply that the target is total recovery of the cost; a target is established according to a variety of considerations and may range from zero percent to more than 100 percent of direct costs. As cost recovery is defined differently in nearly every organization, this document discusses *Cost Recovery* as it relates to the Lisle Park District.

The Lisle Park District

The Lisle Park District is located 25 miles west of Chicago in DuPage County, Illinois. The Park District was incorporated in 1967 and currently serves a population of approximately 32,000 residents covering 12 square miles. While the current boundaries of the Village of Lisle encompass approximately 24,000 people, the Lisle Park District boundaries extend beyond those of the Village, serving small sections of Naperville, Woodridge, and parts of unincorporated DuPage County. The Lisle Park District is a Board-Manager form of government comprised of a 5-member elected Board of Park Commissioners whose chief executive officer is the Director of Parks and Recreation.

The District maintains 40 parks covering over 408 acres. Facilities include a Recreation Center with a preschool, a senior center, a teen center, multiple use rooms, and administrative offices; a Community Fitness Center with a fitness center and three dance/fitness program rooms; one 9-hole golf course with pro shop and full service restaurant and bar; one outdoor aquatic facility; a museum site with four (4) historical structures; 31 playgrounds; 7 basketball courts; 23 tennis courts; and numerous sports fields for baseball, softball, soccer, lacrosse, and football. Through an intergovernmental agreement with Lisle Community Unit School District 202, the District also maintains the grounds and athletic fields at five active school sites as well as the Museums at Lisle Station Park, a site leased by the District from the Village of Lisle.

A five member Board of Park Commissioners elected for staggered four-year terms governs the District. The day-to-day administration of the District is the responsibility of the Director of Parks and Recreation. The District employs 37 full-time staff and over 400 temporary staff throughout the year.

From the early 1970s through the early 1990s, the District enjoyed periods of rapid land acquisition and development, extensive recreation programming growth, facility acquisition and construction, and significant growth in personnel. As the Lisle area has become built out, opportunities for growth have consisted of small in-fill developments and the occasional acquisition of a small neighborhood park. In 2011 the District moved into the Recreation Center, an existing industrial facility that was purchased and renovated to accommodate program growth and facility expansion needs. The result has been a boost in program and facility use across all program categories. The recent focus of the District has been on maintaining existing facilities and other District assets, marketing District services, and seeking alternative sources of revenue. Popularity of District programs and use of District facilities is at an all-time high.

Source: 2014 Comprehensive Annual Financial Report (CAFR) Draft

The Cost Recovery, Resource Allocation, and Revenue Enhancement Project

In 2014, the Lisle Park District embarked on a cost recovery, resource allocation, and revenue enhancement study. This enables the District to reposition some of its programs and services with the primary goal being to realize greater cost recovery, thereby reducing its reliance on tax dollars. Also in 2014, the District continued to update its capital plan and prioritize major capital projects. With an aging park system and some of the amenities within it, a continued focus and allocation of resources toward maintenance remains a priority. A master plan of the District's Recreation Center will be performed identifying opportunities for strategic program and facility growth with an emphasis on increased revenue potential.

The project process and outcomes will guide the District in evaluating its pricing strategy to ensure that it is running at its optimal level and the system is sustainable in the long run. This transforming process requires aligning with the mission, vision, and values of the District. It includes a review and assessment of services, programs, and facilities (services); categorization of services based upon the level of community versus individual benefit; identification of direct and indirect costs; and an evaluation of current pricing methods. All of the components of this process directly influence cost recovery and tax investment allocation levels, the establishment of future cost recovery and tax investment allocation goals, and future pricing strategies and methods.

Although fee adjustments are likely, the goal is not to simply generate new revenues through fees, but to ensure a sustainable system into the future by using tax revenues and fees in the most appropriate ways, supplemented where possible by grants, donations, partnerships, and other sources of alternative revenues. The new practices will allow the District to allocate its resources wisely and provide valuable information for decision making and setting priorities for improvements and changes to the system.

The Philosophy, Model, and Policy

Having a Resource Allocation and Cost Recovery Philosophy, Model, and Policy assists in answering challenging questions from District leadership and from citizens such as:

- Are our programs priced fairly and equitably?
- How will we continue to fund facilities and services in relationship to future budget constraints?
- Are we using funding in a responsible manner?
- Is there a methodology for the distribution of the tax investment (funds used in excess of what is collected by direct fees)? If so, are we transparent?
- Does the way we charge for services (facilities, programs, etc.) support our values, vision, and mission?

The Overall Goal

This comprehensive effort and approach to providing services is undertaken to introduce and implement strong "best practice" business tools to the District. Parks and recreation services are varied and make up a lot of smaller "businesses" that each have their unique place in the market and appeal to the population in a myriad of ways. The overall goal of this plan is to initiate and sustain practices and examine policy and rules affecting overall desired outcomes of a healthy and vibrant community.

Resource Allocation and Cost Recovery Defined

Resource allocation is how we use limited tax dollars and alternative sources of funding. Cost recovery is the amount of the annual operating budget cost that can be offset by funding other than general taxpayer investment (whether derived from property, sales, or other sources).

Although fee adjustments are possible, the goal is not to simply generate new revenues through fees, but to ensure a sustainable system into the future by using tax revenues and fees in the most appropriate ways, supplemented where possible by grants, donations, partnerships, and other sources of alternative revenues. Paying taxes typically supports “core services,” whereas fees and charges usually account for activities and services that benefit individuals. The new practices will allow the agency to allocate its resources wisely and provide valuable information for decision making and setting priorities for improvements and changes to the system.



Core Services

Core services satisfy an agency’s values and vision, typically benefiting all community members, or are seen as essential to the lives of under-served populations. It is not necessary that an individual participate in a specific recreational or cultural activity, or even step into a park setting to receive benefit. Having a nice park and trail system with trees, open space, and recreational amenities available in the community adds to home values and a quality living environment and provides opportunity for partaking in activity, and contributes to clean air and provides relief from urban density. To achieve these and other outcomes, an agency invests its tax dollars in these core services.

A Sustainable System



“Sustainability” is a very popular and perhaps overused word. Often, the users have in mind only one of the three basic elements of sustainability – Financial or Economic, Environmental, and Social or Recreational – making it very challenging to come to any kind of consensus when others may be focusing on one of the other elements. In order to manage the system of parks and recreation, all elements of sustainability must be balanced. The financial resources must be adequate to maintain the system into the future; the environment we love so dearly cannot be “loved to death”; and the people must be allowed appropriate use of the system to properly

connect to and understand the value represented, creating stewardship while promoting the other benefits of physical activity and mental/emotional engagement. When all three are attended to, a dynamic, yet sustainable system is possible.

Supplementing Taxes with Fees

Parks and recreation services provide value to the community as a whole in terms of economic, environmental, and social benefits. Tax dollars support these “core services.” Beyond those benefits realized by all residents, the agency is also able to provide specific activities and services that benefit individuals. There are not adequate tax dollars to completely support this level of activity, and it is appropriate and common to charge at least minimally for these services. For example, if an individual takes a swimming lesson or participates in a senior trip, there are certain levels of skill building, social engagement, or entertainment that accrue to that person, but it can still be argued there is a benefit to the community as a whole by teaching people safety around water, and through the social capital and health gained by keeping seniors active and in touch. This warrants covering at least a portion of the cost of a program or activity through an individual fee. Other opportunities, such as the rental of a space for a private party, warrant a fee to cover the entire cost of providing that space.

Determining the Cost of a Program or Activity

Dollars spent will now be accounted for more specifically by programs and services offered. The “direct” cost includes easily tracked expenses such as the cost of an instructor, supplies needed, equipment rented, etc. Other costs are “indirect” and shared among several programs or services. This could include the cost of a supervisor, utility expenses, security services, etc. Often when calculating the cost of an instructor or other type of employee, only the direct wage is considered. However, in addition to the hourly wage of an employee, other costs are incurred including FICA, worker’s compensation, unemployment insurance, training, etc. This plan includes methodology to account for these expenses and ultimately to make better more sustainable decisions.



Does “Cost recovery” mean that we need to cover all of the cost of a program or activity through fees? No – in most cases where fees are appropriate, the cost recovery target will be set to recover a portion of, or all of, the “direct” cost. In some cases where the individual benefit is very high, the cost recovery target will be set to cover more than 100 percent of the direct cost. This will allow the fee to also recover some or all of the indirect cost of providing the program or services, as these are still very real costs that are caused by the program or activity. Cost recovery can also be accomplished through other forms of revenue such as grants, donations, sponsorships, etc.

Taking Care of Those who Cannot Afford to Pay a Fee

Options are always available for those with economic need. Agencies generally make provisions through a fee reduction or scholarship policy and program. With this in mind, it is not a sustainable practice to keep fees artificially low in order to ensure that all can afford to pay. Many residents are very capable of paying fees.

Cost Recovery in Public Parks and Recreation

Based on a study that he performed, Dr. John Crompton, a leading expert on parks and recreation financing, concluded that the national average of cost recovery in public parks and recreation may be approximately **34 percent**. Based on GreenPlay's nationwide experience, that number is reasonable in general; however, it is important to note that communities across the country vary in terms of how they allocate direct and indirect costs; qualifiers such as availability of resources, size, scope of services, community demand, and ability to pay have an impact. Therefore, different agencies must maintain cost recovery and tax investment levels appropriately based upon their own community's characteristics, values, available funding, scope of services, and what they count. The District's current cost recovery level for its Corporate and Recreation Services is 33 percent, and for the Enterprise Fund (golf course and restaurant), it is 106 percent. Regardless of the current cost recovery and comparison, the real drivers of cost recovery are the economic climate and long term financial sustainability.

The Resource Allocation and Cost Recovery Philosophy, Model, and Policy provides a rational, thoughtful approach to allocating resources and setting fees for programs and services. The District is mindful of those residents who may have financial challenges, and provides assistance through a practice of limited fee waivers and working with the Lisle Partners for Parks Foundation.

The new approach used to review District cost recovery was introduced through the services of GreenPlay, a nationally recognized parks and recreation management consulting firm. Other agencies throughout the country benefitting from GreenPlay's process include parks and recreation departments in California, Colorado, Georgia, Illinois, Maryland, Michigan, Minnesota, North Dakota, Oregon, Texas, Utah, and Virginia. GreenPlay's methodologies have been validated by educational institutions and have become part of the curriculum at North Carolina State University and are sound business practices in a government setting.

Citizen Engagement

The District hosted a series of four public workshops on November 18th and 19th at the Lisle Park District Recreation Center to gather feedback to develop a tax payer investment/resource and cost recovery philosophy. This model, based on the Pyramid Methodology, will be a component of ongoing planning and budgeting processes and is intended to assist the District in developing a fiscally responsible process to proactively plan for the future. The District must charge fees to offset expenses when the cost of a program is not fully covered by tax resources. Paying taxes supports core services, whereas fees and charges account for activities and services that benefit individuals. At the workshops, community members were asked to identify where programs and other inter-related core services fit within the pyramid model.

Ninety community members dedicated 2½ hours of their time to participate in discussions and an activity about balancing the community benefits and individual benefits of programs and services provided by the District. This approach, providing 225 hours of meaningful volunteer deliberation, allows staff to understand which programs and services the public considers to have mostly community benefits, which ones have mostly individual benefits, and which ones have a balance of benefits in between. It also allowed participants to better understand their fellow citizens' perspectives.

"The public's input was of great value not only in the more obvious sense of helping place our services on different levels of the pyramid, but in the impact it had on staff and the Board to be able to observe and listen firsthand what they think of the services we all provide,"

Lisle Park District Board and Staff

By using feedback from the community to look at programs and services in this way, staff can set a program's cost-recovery goal relative to the amount of community benefit a category of service provides. Programs and services considered to have higher individual benefits will be recommended to have a higher cost recovery ratio.

Lisle Park District Cost Recovery

Through specific goals in 2013, the District focused its attention on maximizing the potential of its facilities through its reputation within the community and tremendous abilities of staff to grow program revenue and other non-tax capabilities. Although strides were made, in 2014, the District identified the need to improve non-tax revenue potential as the biggest challenge it faced due to the decline in the park district's equalized assessed valuation, and committed to pursue one of the few remaining recommendations of the 2006 Master Plan – the development of a formal cost recovery model.

The District is currently guided by two documents regarding fees and charges, each approved by the Board of Park Commissioners in 1990 and revised in 1996. One document addresses facilities, with general definitions of direct and indirect costs, and an articulation of the purposes and allowable uses of the various facilities along with establishment how funds are used to support operations and programs. The second document addresses programs using a construct similar to the pyramid methodology in that the balance of tax support and fees and charges used to cover the cost of programs is based on the amount of community and individual benefit received. Each document provides a solid base for recovering costs, but does not provide the detail needed for full implementation.

District facilities are designed and maintained for high volume, multi-use participation. While the community has free access to parks, trails, and natural areas, most programs and services are fee based. The Fiscal Year 2015 Budget shows that roughly 41 percent of the costs associated with providing parks and recreation services comes from earned revenues (program and services fees and charges, other fees, and donations), meaning that roughly 59 percent of the operations are provided through an investment of tax dollars. The goal is to offer affordable programs and services that recover as much of their costs as possible.

The District desires to develop a long term strategy, structure, and system that provides for its fiscal health and sustainability and is responsive to the community. This includes a Cost Recovery Model that is fair and equitable based on the District’s mission. The model will address how the District defines “cost recovery,” including defining what expenses are to be included as “direct” and “indirect costs.”

The following is driving this process:

- To lay the foundation for the development of a philosophy for how to determine and implement appropriate fees to accomplish overall goals and support the District mission.
- To have a mechanism and consistent language for communicating how taxpayer funding is used.
- To lessen the District’s dependence on tax funds by approaching, or even exceeding, cost recovery goals as determined through this process.

Lisle Park District Mission, Values, and Vision

Mission and values represent principles that create a philosophical framework to guide and direct, and serve as the foundation for all organizational decisions and processes. They also help determine those community conditions that the District wishes to impact, guiding often difficult management decisions, substantiating them and making them justifiable and defensible.

The District previously established mission and values statements that were considered as the process advanced.

Our Mission

The District exists to.....

Enrich the quality of life for people of all ages by providing constructive and creative leisure opportunities

Our Values

We advocate.....

- Parks and Recreation
- Fiscal Integrity
- Innovative Solutions
- Civic Leadership
- Community Service

During this process, it was recognized that Vision has not been articulated quite so clearly, and therefore, the project team engaged in a facilitated conversation intended bring meaning to the Mission and Values through a discussion of Vision relative to this project – Where do we want to be five years from now? For what do we want to be known? This was very helpful in grounding the efforts of this project and its recommendations.

In the words of the project team, the conversation identified that the District is committed to:



- Continuing to provide quality services as measured through participation, retention, and positive indications on citizen surveys.
- Being more streamlined and efficient as procedures and accounting practices are better tuned to allow data driven decision-making.
- Being a reflection of what the community values based on input received during this process as well as ongoing meaningful outreach and engagement.

- Embracing technology advances and making improvements where feasible.
- Standardizing staff operations in terms of pricing programs; providing appropriate staff trainings.
- Internally and respectfully challenging itself to be the best it can be.
- Measuring against itself as well as competitors.

Project Approach



A **Project Team** comprised of staff from the District, along with Board members who participated in various parts, was established to review practices and existing policy, to become familiar with the Pyramid Methodology, to work with the public to understand its values, and to recommend the best cost recovery practices. They identified typical and measurable direct and indirect costs associated with providing programs and services, and defined financial terms specifically relative to District operations and goals. They assisted with facilitation of public engagement and ultimately defined categories of programs and services with associated target cost recovery minimums.

The project was accomplished through a Workshop Series, each preceded and followed with intensive staff work to understand, gather data, discover, engage with the public, sort, and strategize.

Project Strategic Kick-off	September 24, 2014
Workshop I – Staff <ul style="list-style-type: none">▪ Training▪ Creating the Categories of Service	October 10, 2014
Workshop II – Sorting <ul style="list-style-type: none">▪ Staff and Public Sorting workshops▪ Defining Direct & Indirect Costs	Week of November 17, 2014
Workshop III <ul style="list-style-type: none">▪ Current Cost Recovery Levels▪ Cost Recovery Targets▪ Pricing Methodologies▪ Goals & Objectives and Action Steps	February 9, 2014
Park Board Study Session	April 8, 2015
Park Board Action	April 16, 2015

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The Cost Recovery Pyramid Methodology

The methodology used in development of the Cost Recovery Model is built on a foundation of understanding who is benefiting from park and recreation services to determine how the costs for service should be paid.

The Cost Recovery Pyramid Model illustrates a pricing philosophy based on establishing fees commensurate with the benefit received. Descriptions regarding each level of the pyramid are provided; however, the model is intended as a discussion point and is very dependent on agency philosophies to determine what programs and services belong on each level. Cultural, regional, geographical, and resource differences play a large role in this determination. The resulting pyramid is unique to each agency that applies this methodology.

Application of the pyramid methodology begins with the Mission of the organization, but must also address other considerations:

- Who benefits from the service, the community in general or only the individual or group receiving the service?
- Does the individual or group receiving the service generate the need and therefore the cost of providing the service? An example of this type of service is a permitted activity in a park requiring police presence above and beyond the norm.
- Will imposing the full cost fee pose a hardship on specific users?
- The ability to pay is different than the benefit and value of a program, activity, or service, and therefore, should be dealt with during the implementation phase of pricing and marketing.
- Do community values support taxpayer investment for the cost of service for individuals with special needs (for example, people with disabilities or low-income)?
- Will the level of the fee affect the demand for the service?
- Is it possible and desirable to manage demand for a service by changing the level of the fee?
- Are there competing providers of the service in the public or private sector?

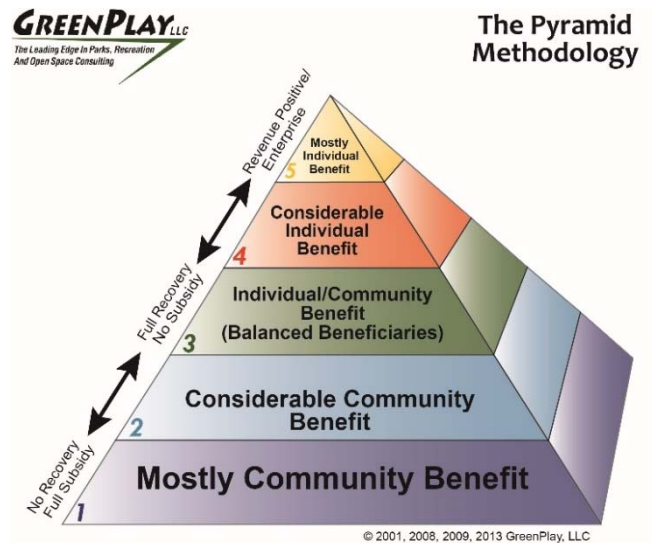
The application of the model is broken down into the following steps:

- Step 1 – Building on your organization’s values, vision, and mission
- Step 2 – Understanding filters/the benefits filter/and secondary filters
- Step 3 – Developing the organization’s Categories of Service
- Step 4 – Sorting the Categories of Service onto the Pyramid
- Step 5 – Defining Direct and Indirect Costs
- Step 6 – Determining (or confirming) current tax investment/cost recovery levels
- Step 7 – Establishing cost recovery/tax investment goals
- Step 8 – Understanding and Preparing for Influential Factors and Considerations
- Step 9 – Implementation
- Step 10 – Evaluation

Step 1: Building on Your Organization's Values, Vision, and Mission

Critical to this philosophical undertaking is the support and buy-in of elected officials and advisory boards, staff, and ultimately, citizens. Whether or not significant changes are called for, the organization should be certain that it philosophically aligns with its constituents. The development of a financial resource allocation philosophy and policy is built upon a very logical foundation, based upon the theory that those who benefit from parks and recreation services ultimately pay for services. Envision a pyramid sectioned horizontally into five levels.

A brief description of the process follows, and a full description of the Pyramid Methodology is provided in **Appendix A**.



Step 2: Understanding the Pyramid Methodology, Benefits Filter, and Secondary Filters

The creation of a cost recovery and tax investment allocation philosophy and policy is a key component to maintaining an agency's financial control, equitably pricing offerings, and helping to identify core services including programs and facilities.

The principal foundation of the Pyramid is the **Benefits Filter**. Conceptually, the base level of the pyramid represents the mainstay of a public parks and recreation system. Services appropriate to higher levels of the pyramid should only be offered when the preceding levels below are comprehensive enough to provide a foundation for the next level. The foundation and upward progression is intended to represent public parks and recreation's core mission, while also reflecting the growth and maturity of an organization as it enhances its service offerings. Each level of the Pyramid from the bottom to the top is described below. Secondary filters are described in **Appendix A**.

MOSTLY COMMUNITY Benefit

The foundational level of the Pyramid is the largest, and encompasses those services including programs and facilities which **MOSTLY** benefit the **COMMUNITY** as a whole. These services may increase property values, provide safety, address social needs, and enhance quality of life for residents. The community generally pays for these basic services via tax support. These services are generally offered to residents at a minimal charge or with no fee. A large percentage of the agency's tax support would fund this level of the Pyramid.

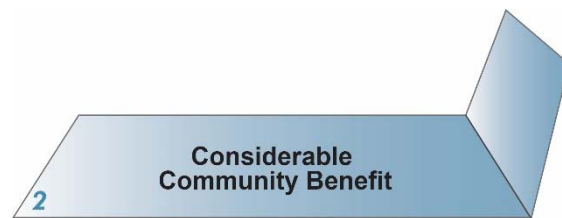


Examples of these services could include: the existence of the community parks and recreation system, the ability to visit facilities on an informal basis, park and facility planning and design, park maintenance, or others.

NOTE: All examples given are generic – individual agencies vary in their determination of which services belong in the foundation level of the Pyramid based upon agency values, vision, mission, demographics, goals, etc.

CONSIDERABLE COMMUNITY Benefit

The second and smaller level of the Pyramid represents services which promote individual physical and mental well-being, and may begin to provide skill development. They are generally traditionally expected services and/or beginner instructional levels. These services are typically assigned fees based upon a specified percentage of direct (and may also include indirect) costs. These costs are partially offset by both a tax investment to account for **CONSIDERABLE COMMUNITY** benefit and participant fees to account for the **Individual** benefit received from the service.



Examples of these services could include: staff facility and park use, therapeutic recreation programs and services, recreation leagues, etc.

BALANCED INDIVIDUAL/COMMUNITY Benefit

The third and even smaller level of the Pyramid represents services promoting individual physical and mental well-being, and provide an intermediate level of skill development. The level provides balanced **INDIVIDUAL** and **COMMUNITY** benefit and should be priced accordingly. The individual fee is set to recover a higher percentage of cost than those services falling within lower Pyramid levels.



Examples of these services could include: camps and after school programs, beginning level instructional programs and classes, teen programs, etc.

CONSIDERABLE INDIVIDUAL Benefit

The fourth and still smaller Pyramid level represents specialized services generally for specific groups, and those which may have a competitive focus. Services in this level may be priced to recover full cost, including all direct and indirect expenses.



Examples of these services could include: trips, advanced level classes, competitive leagues, etc.

MOSTLY INDIVIDUAL Benefit

At the top of the Pyramid, the fifth and smallest level represents services which have potential to generate revenues above costs, may be in an enterprise fund, may be in the same market space as the private sector, or may fall outside the core mission of the agency. In this level, services should be priced to recover full cost in addition to a designated profit percentage.



Examples of these activities could include: private lessons, company picnic rentals, other facility rentals for weddings or other services, concessions and merchandise for resale, restaurant services, etc.

Step 3: Developing The Organization’s Categories of Service

Purpose: Prior to sorting each service onto the Pyramid, the Lisle Park District Project Team created the District’s **Categories of Services**, including definitions and examples. “Narrowing down” facilities, programs, and services and placing them in categories (groups of like or similar service) that best fit their descriptions allowed a reasonable number of items to be sorted onto the pyramid tiers using the **Individual and Community Benefit** filter. A series of public workshops was held the week of November 17, 2015 to sort the categories onto the five tiers of the pyramid

Thirty-six (36) categories were initially identified as listed below. The charge to both staff and the public was to sort these categories onto appropriate levels of the pyramid model based on who they benefited (the benefit filter). Those categories ranged from mostly benefiting the **Community as a Whole**, to programs and services mostly providing an **Individual** benefit. There was also discussion of consideration of additional filters (discussed Step 8 below and in **Appendix A**), which often hold a secondary significance in determining placement on the Cost Recovery Pyramid. As the public sorting sessions continued, it was determined that some clarification and adjustments would need to be made. These are identified below, and the resulting categories are shown on the Lisle Pyramid in the next section of this report and further defined in **Appendix B**.

Additions as separate categories:

- **Golf Operation Services** including greens fees and outings.
- **Youth and Adult Classes – Beg Multi Level** including classes not fitting into either youth or adult.

Adjustments:

- **Reciprocity Activities** was renamed as **Intergovernmental Agencies Activities**.
- **Rentals – Intergovernmental Agency and Local Non-Profits** was renamed as **Rentals –Local Non-Profits**.
- Both **Youth Recreational** and **Competitive Leagues** were clarified as Lisle Park District (LPD) run leagues.

Initial Categories of Service (36)

- Restaurant
- Concessions and Vending
- Merchandise for Resale
- Adult Classes, Workshops, and Programs – Beg/Multi level
- Adult Classes, Workshops, and Programs – Adv/Competitive
- Senior (50+) Registration Programs
- Youth Classes, Workshops, and Programs – Beg/Multi level
- Youth Classes, Workshops, and Clinics – Adv/Competitive
- Teen Programs
- Trips
- Youth Recreational Leagues
- Youth Competitive Leagues
- Athletic Field Rentals for Youth Recreational Leagues
- Athletic Field Rentals for Youth Competitive Leagues
- Adult Leagues
- Private Lessons
- Preschool
- Rentals – Non-Local Non-Profit
- Rentals – Inter-Governmental Agency & Local Non-Profits
- Rentals - Private
- Long-Term Leases – For-Profit
- Long-Term Leases – Local Not-For-Profit
- Non-Staffed Park/Facility Use
- Staffed Park/Facility Use
- Museums
- Special Events
- Camps
- Before & After School Programs
- Reciprocity Activities
- Volunteer Program
- Work Study/Internship/Community Service Projects
- Inclusion Services
- SEASPAR Therapeutic/Adaptive/Special Recreation Services
- Service Groups
- Social Services
- Support Services

Step 4: Sorting the Categories of Service onto the Pyramid

This step is critical to be completed with staff, governing bodies, and citizens in mind. The sorting process is where ownership is created for the philosophy, while participants discover the current and possibly varied operating histories, cultures, missions, and values of the organization. The process develops consensus and allows everyone to land on the same page – the page you write together. The effort must reflect the community and must align the thinking of policy makers.



The project team brought together staff from across the District, as well as members of the public, to sort existing programs into each level of the pyramid. The sorting process was a challenging step, and it was led by objective and impartial facilitators in order to hear all viewpoints. The process generated discussion and debate as participants discovered what others had to say about serving culturally and economically different parts of the community, about historic versus recreational parks, about adults versus youth versus seniors, about weddings and interpretive programs, etc. It was important to push through the “what” to the “why” to find common ground. The process enabled staff to listen and discover upon what the District’s philosophy is based.

Figure 3: Corporate and Recreation Services and **Figure 4: Enterprise Fund** show how the categories of services were sorted onto the pyramid with input from the community.

Step 5: Defining Direct and Indirect Costs

The definition of direct and indirect costs can vary from agency to agency. The most important aspect to understand is that all costs associated with directly running a program or providing a service are identified and consistently applied across the system. Direct costs typically include the specific, identifiable expenses (fixed and variable) associated with providing a service. These expenses would not exist without the service and may be variable costs.

Defining direct costs, along with examples and relative formulas, is necessary during this step. Indirect costs typically encompass overhead (fixed and variable) including the administrative costs of the agency. These costs would exist without any specific service but may also be attributed to a specific agency operation (in which case they are direct expenses of that operation). If desired, all or a portion of indirect costs can be allocated, in which case they become a direct cost allocation. The District’s detailed definitions of direct and indirect costs are found in **Appendix C**.

Step 6: Determining (or Confirming) Current Tax Investment/Cost Recovery Levels

Step 6 establishes the expectation the agency will confirm or determine current cost recovery and subsidy allocation levels by service area based on the new or revised definition of direct and indirect costs. Consideration of revenues sources and services costs or expenses is included in this step. Typically, staff may not be cost accounting consistently, and these inconsistencies will become apparent. Results of this step will identify what it costs to provide services to the community, whether staff have the capacity or resources necessary to account for and track costs, whether accurate cost recovery levels can be identified, and whether cost centers or general ledger line items align with how the agency may want to track these costs in the future.

The overall tax investment/cost recovery level is comprised of the average of everything in all of the tiers together as a whole. This step identifies what the current tax investment level is for the programs sorted into each tier. There may be quite a range within each tier, and some programs could overlap with other tiers of the pyramid. This will be rectified as implementation of recommendations occurs.

Step 7: Establishing Cost Recovery/Tax Investment Targets

The Project Team asked these questions: Who benefits? Who pays? Now they had the answer; Who benefits – pays! The tax investment is used in greater amounts at the bottom levels of the pyramid, reflecting the benefit to the **Community** as a whole. As the pyramid is climbed, the percentage of tax investment decreases, and at the top levels it may not be used at all, reflecting the **Individual** benefit. So, what is the right percentage of tax investment for each level? The Cost Recovery Targets are shown in **Figures 3 and 4**.

Step 8: Understanding and Preparing for Influential Factors and Considerations

Inherent to sorting programs onto the Pyramid model using the Benefits and other filters is the realization that other factors come into play. This can result in decisions to place services in other levels than might first be thought. These factors can aid in determining core services versus ancillary services. These factors are described in **Appendix A** and include participant commitment, trends, political issues, marketing, relative cost to provide the service (cost per participant), current economic conditions, and financial goals.

Step 9: Implementation

The District has set its goals based upon values, vision, mission, stakeholder input, funding, and/or other criteria. Upon completion of steps 1-8, the District is positioned to illustrate and articulate where it has been and where it is heading from a financial perspective. Some recommendations may occur immediately, and others will take time to put into place, while some will be implemented incrementally.

Step 10: Evaluation

This process has been undertaken in order to articulate a philosophy, train staff on a best practice ongoing approach to cost recovery in public parks and recreation, and enhance financial sustainability. Performance measures will be established, and evaluation of goal attainment is recommended to take place annually.

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The Lisle Park District Cost Recovery Pyramid Model

A consensus pyramid from the public sorting process was created with each category of service placed in the appropriate tier of the pyramid based on the Benefits filter and other filters. Current cost recovery percentages were calculated based on a more specific and consistent definition of direct and indirect costs.

Cost recovery targets were then identified for each level of the Pyramid to assist in future planning and determination of appropriate pricing. These targets are expressed as tier minimums on the Cost Recovery Pyramid. The Target Tier Minimum cost recovery percentages represent the minimum cost recovery for the average of all categories of service within that tier. The **Target Tier Minimum Cost Recovery Percentages** were established by analyzing to which categories of service resources were allocated by each tier or level, coupled with consideration of current cost recovery based on the definitions of direct and indirect costs. GreenPlay also considered best practice target levels based on its work with other agencies.

The Lisle Pyramid with a first pass at current cost recovery levels is shown in **Figure 3: Corporate and Recreation Services** and **Figure 4: Enterprise Fund**. Current cost recovery will be refined over the first year of implementation as steps are taken to more accurately account for revenues and expenditures by service area. Services for which an N/A or a 0 percent is indicated may mean a service was not provided in 2014, it is anticipated to be offered in the future, or it was not possible to extract an accurate expense for the service with the current accounting practices. The Tier Aggregate is simply a measure of all of the services on each tier under current accounting practices. Due to the nature of an enterprise fund, the bottom two levels of the pyramid do not come into play.

Figures 3 and 4 each show the *recommended minimum target cost recovery* for each tier of the pyramid. This determination was made to reflect the Lisle community and align with the thinking of policy makers regarding broad picture financial goals and objectives. It also considers the value of the offering and what the community will think is reasonable, as well as current cost recovery levels. Within each tier, each category of service will be evaluated to bring into alignment within the tier target.

Table 1 shows the current and target cost recovery levels for both the Corporate and Recreation Services and the Enterprise Fund.

Table 1: Current and Recommended Target Cost Recovery

Corporate & Recreation Services	Current Cost Recovery %	Target Cost Recovery %	Net Dollar Value
Tier 5	114%	120%	\$7,055
Tier 4	101%	112%	\$49,059
Tier 3	113%	115%	\$15,605
Tier 2	59%	62%	\$27,370
Tier 1	3%	3%	\$1,324
TOTAL	33%	34%	\$100,414
Enterprise Fund			
Tier 5	103%	107%	\$78,559
Tier 4	395%	395%	\$0
Tier 3	1167%	1167%	\$0
Tier 2	NA	NA	\$0
Tier 1	NA	NA	\$0
TOTAL	106%	110%	\$78,559

It is not intended that every category of service necessarily meets the established tier minimum, but that the tier as a whole is at or above the tier target. The tier target minimum cost recovery percentages are attempting to recover only direct and allocated cost of service provision, not all costs or a fully loaded (direct and indirect) cost.

Minimum targets range from zero (or free) to three percent cost recovery for those programs and services in the base (Tier 1) Mostly Community Benefit level such as **Non-staffed Park/Facility Usage**, to direct cost recovery of over 100 percent for the Mostly Individual Benefit level (Tier 5), such as **Merchandise for Resale** and **Concessions and Vending**.

Figure 3: Corporate and Recreation Services

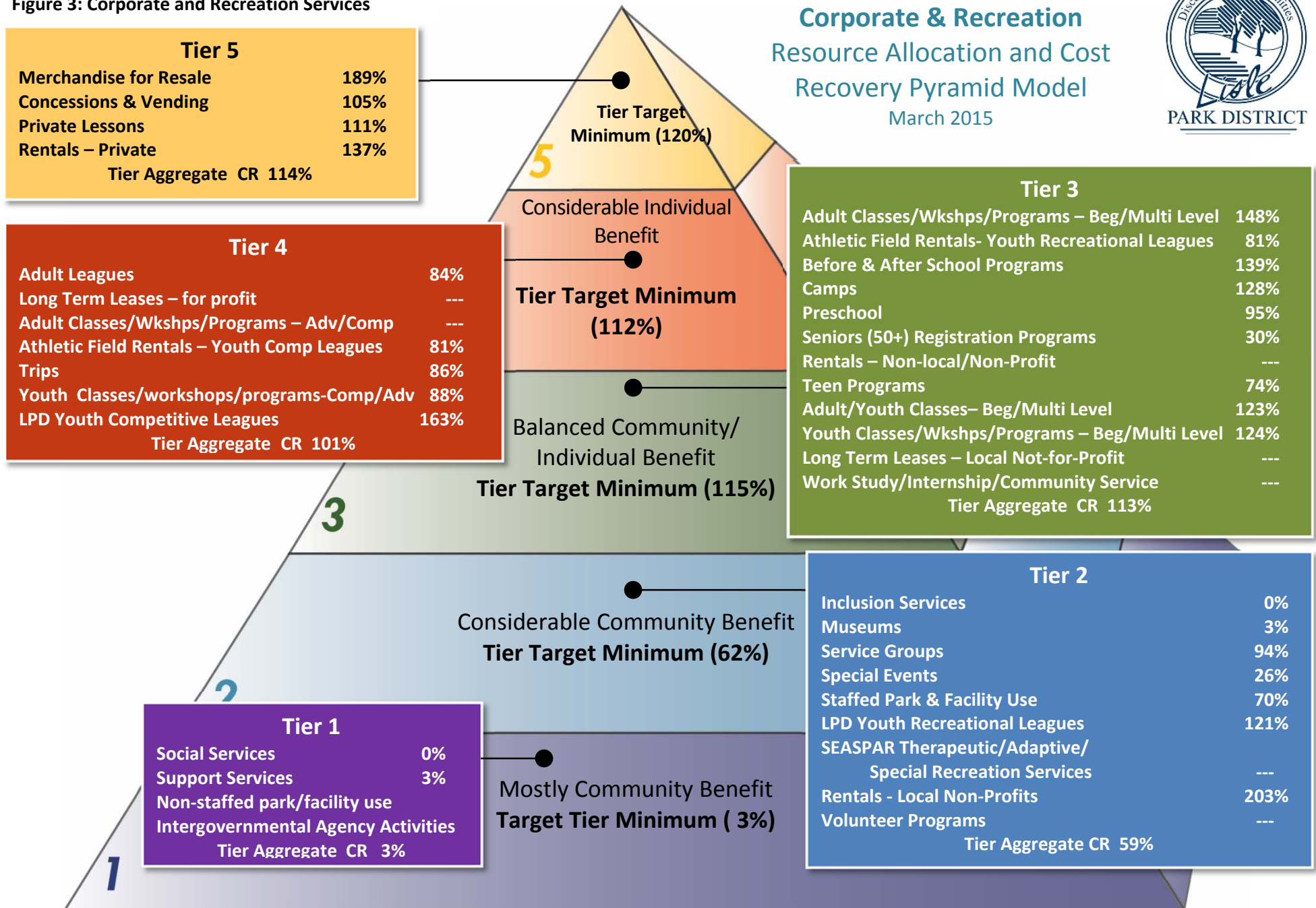
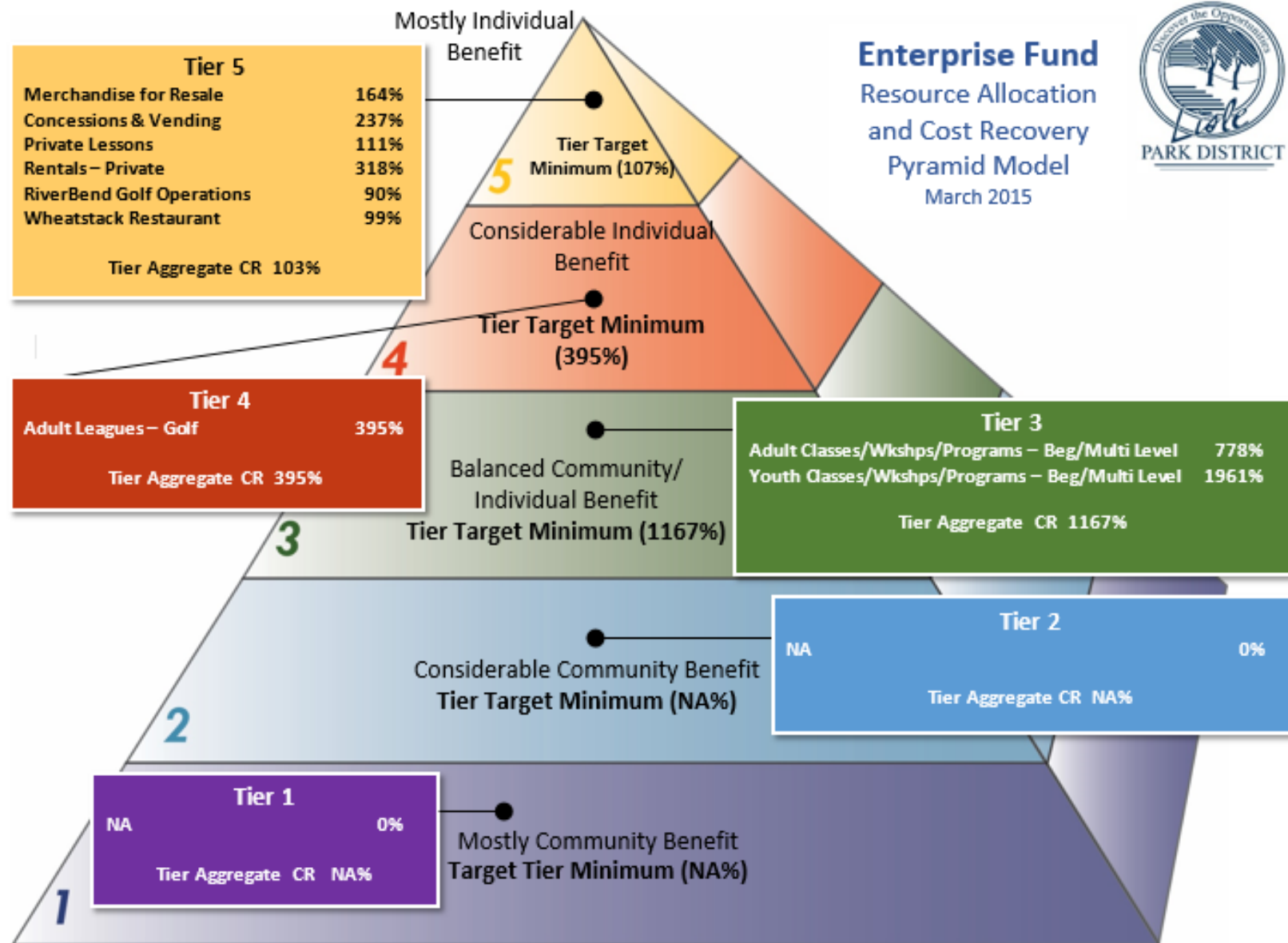


Figure 4: Enterprise Fund



Establishing Fees and Charges

The following concepts were discussed and defined over several months.

Costs are defined as:	Fees are defined as:
<p>Direct Costs: all of the specific, identifiable variable expenses directly associated with providing a service or facility. These expenses include, but are not limited to, wages and benefits, contracted services, rental of facilities and equipment directly related to the service, and purchased equipment and supplies.</p> <p>Indirect Costs: District overhead including the administrative costs of the District, management staffing costs, funding debt service (when it is part of the cost of providing a service), and contractual services, as appropriate.</p>	<p>Partial Cost Fee: A fee recovering something less than the full cost. This could be a percentage of direct costs, all direct costs, all direct costs plus a percentage of indirect costs, or some combination. The remaining portion of the costs will be subsidized.</p> <p>Full Cost Fee: A fee based on a traditional price-cost relationship; recovers the total cost of a service or program including all direct and all indirect costs, enabling the break-even point to be reached. Full-cost recovery is often used as a strategy for services perceived as “private,” benefiting only users while offering no external benefits to the general community.</p> <p>Market Rate Fee: Fee based on demand for a service or facility. The market rate is determined by identifying all providers of an identical service (Examples: private sector providers, other municipalities, etc.), and setting the fee at the highest level that the market will bear.</p>

Criteria for Establishing Fees and Charges

Low or No Cost Recovery/High or Full Tax investment:

This criteria applies to the **Mostly Community Benefit** tier (1) of the pyramid. The following criteria are used to determine if a service should be included in the tier, keeping in mind a service does not have to meet every criterion:

- 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.
- The level of service attributable to a user is not known.
- Administrative costs of imposing and collecting a fee exceed revenue expected from the fee.
- Imposing the fee would place the agency at a serious competitive disadvantage.
- The service is primarily provided by the public sector.

Partial Cost Recovery/Partial Tax investment:

This criteria applies to the **Considerable Community (2)** and **Balanced Community/Individual Benefits (3)** tiers of the pyramid. Users fees may recover only partial cost for those services for which the agency desires to manage demand.



- User fees may recover only partial cost from those individuals who cannot pay full cost due to economic hardship.
- A user fee may recover only partial cost if competitive market conditions make a full cost fee undesirable.
- The following criteria are used to determine if a service should be included in these tiers, keeping in mind that a service does not have to meet every criterion:
 - ✓ Services benefit those who participate but the community at large also benefits.
 - ✓ The level of service use attributed to a user is known.
 - ✓ Administrative costs of imposing and collecting the fee are not excessive.
 - ✓ Imposing a full cost fee would place the agency at a competitive disadvantage.
 - ✓ The service may be provided by the public sector, but may also be provided by the private sector.

Full Cost Recovery/No Tax investment:

This criteria applies to the **Considerable Individual Benefit tier (4)** of the pyramid.

- User fees should recover the full cost of services benefiting specific groups or individuals.
- User fees should recover the full cost for those services provided to persons who generate the need for those services.
- The following criteria are used to determine if a service should be included in this tier, keeping in mind that a service does not have to meet every criterion:
 - ✓ The individual or group using the service is the primary beneficiary.
 - ✓ The level of service use attributed to a user is known.
 - ✓ Administrative costs of imposing and collecting the fee are not excessive.
 - ✓ Imposing a full cost fee would not place the agency at a competitive disadvantage.
 - ✓ The service is usually provided by the private sector, but may also be provided by the public sector.

Enterprise Center:

This criteria applies to the **Mostly Individual Benefit tier (5)** of the pyramid.

- User fees could recover more than the full cost for a service in order to subsidize other services provided to the community.
- The following criteria are used to determine if a service should be included, keeping in mind a service does not have to meet every criterion:
 - ✓ Individuals or groups benefit from the service and there is little community benefit.
 - ✓ The level of service use attributable to a user is known.
 - ✓ There is excess demand for the service; therefore, allocation of limited services is required.
 - ✓ Administrative costs of imposing and collecting the fee are not excessive.
 - ✓ The service is provided at market price by the private sector.

Developing a Pricing Strategy

As the final step in the development of the ***Cost Recovery Model, Resource Allocation Philosophy, Model, and Policy***, pricing strategies were considered. This discussion should continue in the future. Pricing Strategies can be found in **Appendix D**.

Comparative Analysis Criteria

As part of a pricing methodology, comparative analysis of differing fees structures can reveal market rates and competitive pricing in the market place. Comparative analysis (benchmarking) is an important tool allowing for comparison of certain attributes of the PRD's management practices and fee structure. This process creates deeper understanding of alternative providers, your place in the market, and varying fee methodologies, which may be used to enhance and improve the service delivery of parks and recreation. The suggested criteria are found in **Appendix E**.

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Key Findings

Cost Accounting for Public Parks and Recreation

The process of accounting for expenses in a more detailed, consistent manner in order to readily know the cost recovery rates for each service also illustrates the associated challenges. This effort is to be considered a start, and work will continue, particularly during the first year of implementation, to further refine the calculations. The defining and placement of categories on the pyramid tiers provided the opportunity to question the purpose of each of the programs and services within each category, who they were serving, and how those programs and services are funded and delivered. During the first year of implementation, staff will have the opportunity to respond to the volume of information that is now available to them, allowing them to further refine definitions and calculations, and re-evaluate early decisions made in this process.



Tier Target Minimums

During the evaluation of the first year of implementation, it is possible that some services may be better defined and moved to more appropriate categories, and that improved tracking and more precise calculations of direct and indirect costs will occur. This may result in Target Tier Minimums being adjusted for year two, while still accomplishing the same goals. Specific recommendations are made in this study to explore particular programs and services that appear to be out of alignment with the pyramid model.

Fee Setting and Adjusting

It is recognized that market, historical, and political factors play a major role in any fee change, and the sensitivity to these issues is paramount while the adjustments take place to meet goals over time. It is not expected that all fees will be immediately adjusted, but that fees will be examined with each budget and marketing cycle for appropriate categorization, with a goal of implementing the Pyramid tier outcomes, as possible.

As the model establishes cost recovery rates based only on the direct cost of providing service, it recognizes that indirect costs still contribute to the overall cost of carrying out all programs and services. It is recommended that surplus revenue from programs showing a cost recovery of greater than 100 percent be utilized to offset District-wide indirect costs and costs for other related programs. Identification of those programs with lower or higher cost recovery should be recognized as an integral part of meeting overall goals.

Fees and charges for programs and facilities will be recommended at the appropriate time as part of the budgeting process. However, it should be noted that incremental annual increases appear to be more tolerable than larger increases less frequently, and this has become a best practice in parks and recreation agencies over time.

Staff should determine where competitive and market pricing best fits with services, along with how partial and full cost recovery fees can best meet targeted cost recovery goals, and develop a methodology and process for periodic fee reviews, including resource identification, comparative analysis criteria, and benchmark data.

Non-resident Use

The adopted policy regarding fees for recreation programs recognizes that non-residents do participate in programs and activities sponsored by the District. In order to facilitate such potential participation while recognizing the tax support from district residents, non-residents shall:

- A. Pay a fee that is fifty (50%) percent higher than resident fees.
- B. Be eligible to register for programs approximately two weeks after resident registration begins (dates are published on-line and within the District's seasonal program guides).

Staff has experienced difficulty in consistently applying the 50 percent differential, particularly within senior programs. Internal research is needed to fully understand the current issues and adjust the policy accordingly. In addition, the District may want to consider an approach that provides a discount for residents rather than a perceived "punishment" for non-residents. Residents have earned the discount as taxpayers of the District.

Need-based Fee Discount and Scholarship Opportunities

The District provides fee waivers on an informal basis within an accepted guideline, however the practice is not promoted, and total amount available currently, and caps on discounts available per individual and family are not adequate to meet the likely need. The Lisle Partners for Parks Foundation offers scholarships for families who otherwise could not afford to participate in recreation programs. The two programs could be better defined, coordinated, and funded, and awareness increased. There is potential to increase funding for this need. Lisle Park District staff and the Lisle Partners for Parks Foundation are currently refining this program in light of this exercise.

Volunteer Service

The District has a strong volunteer program. Tracking the use of volunteers that supplement critical service functions includes identifying the value of this as an alternative funding source. It is also important to recognize the cost savings should the volunteer resource dry up or disappear. The value of volunteers can be counted as alternative funding contributing to cost recovery, as if replacing the cost to provide the service, as long as one is accounting for the same value of the service on the expense side.

Volunteer labor can be valued as outlined by the Independent Sector
http://www.independentsector.org/volunteer_time. According to the website, the value of Illinois volunteer labor is \$24.08 per hour, and the national value is \$22.55 for 2013 (latest year reported).

Museum

Many participants in the public input process were not aware that the District provides Museum services, and others were not aware of the cost. This was raised as an issue of “fit” for the mission of the District. Historically the District has accepted this role; however, now this is being questioned. The use of fees, and only for certain programs, is very minimal. The potential of broader fee use, operating partners, and sponsorships should all be explored.

Agency Accreditation

This study will greatly support Agency Accreditation. The intent of accreditation, a very arduous process, is demonstration that a parks and recreation agency rises to a standard of excellence and employs best practices in the industry. The introduction and use of these two business tools are industry best practices.

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Recommendations

Implementation

The main purpose of this endeavor has been to create a fair, equitable, and defensible cost recovery system for establishing and adjusting fees and charges that has credibility with the District Board, stakeholders, the public, and staff. The recommendations will act as the implementation catalyst and internal work plan, and are intended to guide goals, objectives, and decision-making, while creating service sustainability for the District.

As a result of this intensive and comprehensive process, the District will begin implementing strategies and aligning financial resource allocation with newly developed cost recovery targets in year one. As some of the effort will be to ensure accuracy of cost recovery calculations and understanding of the current programs, it is likely that some adjustments will be made during or at the end of the first year, this could result in some further clarification or addition of categories, movement of a category to a more appropriate tier, or of a program or service to a different category, reassignment of costs, and recalculation of cost recovery. These could all have an impact on tier targets which should be evaluated and adjusted accordingly at the end of year one, and as needed to meet financial goals annually in the future.

Cost Recovery Policy Statement Recommendation

Current policies of the District provide a solid base for recovering costs, but do not provide the detail needed for full implementation. This begins with a foundational statement of policy that articulates the philosophical underpinnings and addressing the financing and service provision strategies by looking at them through a different lens. A recommended foundational statement of policy follows.

Statement of Policy Recommendation

As a publicly financed park system, the Lisle Park District provides a basic level of service free to the public, in exchange for tax dollars. However, fees and charges and other methods to recover costs are considered a responsible and necessary means to supplement tax revenue and regulate park use where appropriate.

In establishing fees and charges, the District will determine the direct costs of providing services and establish goals to recover those costs. The appropriate level of cost recovery will be based on an assessment of who is benefiting from the service provided. If the benefit is to the community as a whole, it is appropriate to use taxpayer dollars to completely, or primarily, fund the service. Examples of services that primarily provide community benefits are hiking and biking trails, play areas, parks, and large natural areas.

As the benefit is increasingly to an individual or select group of individuals, it is appropriate to charge fees for the service at an increasing rate of cost recovery. Supervised or instructed programs, facilities, and equipment visitors can exclusively use, and products and services that may be purchased, provide examples where user fees are appropriate.

The District shall also consider available resources, public need, public acceptance, and the community economic climate when establishing fees and charges. In cases where certain programs and facilities are highly specialized by activity and design, and appeal to a select user group, the District shall additionally consider fees charged by alternative service providers or market rates. Fees and charges can be set to recover costs in excess of direct and indirect costs, where appropriate, as a method of subsidizing other services.

The District may subsidize the cost recovery objective of services for persons with economic need or other targeted populations, as determined by policy of the Lisle Park District Board of Park Commissioners, through tax-supported fee reductions, scholarships, grants, or other methods. The Board may also approve exceptional fees or fee waivers upon determination that the fee arrangements will benefit the public interest.

Strategic Recommendations

Focus Area A: Policy Strategies

Adopted policies and procedures allow staff to achieve cost recovery targets and maximize revenue generation where appropriate, shifting taxpayer investment/subsidy to those areas more foundational on the pyramid. Any new or revised policy as a result of these recommendations will go through existing development, review, and Board approval processes.

- A1:** Seek acceptance or approval of the **Resource Allocation and Cost Recovery Philosophy, Model, and Policy Statement** by the District Board. Ensure long-term sustainability by focusing taxpayer funding on those services producing the widest community benefit, using the cost recovery pyramid.
- A2:** Develop a written **fee reduction** policy identifying eligibility requirements and reconsidering individual and family limits as the District pursues an increase in cost recovery levels. Seek and designate additional funding sources including excess revenues generated, as well as a more defined initiative with Lisle Partners for Parks Foundation.
- A3:** Consider a more flexible surcharge applied for the **non-resident fee** with a tiered percentage, and give consideration to changing the marketing of the residency policy to establish a fee for a service and then applying a “resident” discount.
- A4:** Consider phasing out discounted fees for select groups, and/or raising the age for senior discounts. Instead, offer **discounted services at “off peak” times** when seniors are likely available.
- A5:** Establish a **gifts and donations acceptance policy**.

Focus Area B: Administrative Strategies

Best practice management tools will further efforts to increase cost recovery and allow systems to support efforts.

- B1:** Use Resource Allocation and Cost Recovery Philosophy, Model, and Policy as a **District-wide staff training tool**, and incorporate specific recommendations into annual staff work plans as appropriate.
- B2:** Use **zero-based (cost-based) budgeting principles** with direct cost of providing service. Further refine all of the expenses considered “direct costs” vs. “indirect costs” for programs and services.
- B3:** Set fees using the provided **Pricing Strategies**, allowing staff to respond to market conditions, opportunities, and service demands in a timely manner. Adjust fees to reflect the District’s cost recovery philosophy, being sensitive to fee tolerance, and implementing over time as necessary.
- B4:** Manage program lifecycles through monitoring registration, attendance figures, and cost recovery goals on an ongoing basis. Cancel, retool, and/or replace under-performing services.
- B5:** Annually review all Intergovernmental Agreements (IGAs), Memorandums of Understanding (MOUs), rentals, and long-term Lease agreements to ensure compliance with cost recovery goals in relation to the direct cost to provide the service (the value) and the category of service level on the cost recovery pyramid. Leverage negotiations and agreements based on actual costs and benefits.
- B6:** Use this study and implementation of best practices to support efforts to achieve **CAPRA Accreditation** (Commission for Accreditation of Park and Recreation Agencies).

Focus Area C: Revenue Enhancement

Identification of new sources of revenues, including alternative funding ideas, and exploring their potential will contribute to the District’s overall financial sustainability.

- C1:** Explore alternative funding sources that strategically align with targeted services by identifying ideas each budget cycle from the Alternative Funding Sources in **Appendix F**, and formulate a work team to explore the pros and cons, and potential outcomes.
- C2:** Pursue alternative funding for environmentally sustainable measures to reduce the costs to the taxpayer of operations, maintenance, and safety. Examples are listed in **Appendix F**, and include such things as use of solar and wind energy, updating to energy efficient ballasts, motors, appliances, etc.
- C3:** Expand alternative funding for strategic initiatives through grants for new and existing projects such as healthy and active living initiatives, trail development, cultural, historic preservation, and natural resource projects.

- C4:** Maximize the relationship with Lisle Partnership for Parks Foundation to align with the District’s Vision, Mission, and Values to ensure that fundraising efforts support community needs.
- C5:** Further the use of sponsorships, in accordance with the approved Sponsorship Policy. Annually update the District’s valuation of park assets and continually update a list of potential park facility sites, programs, services and events, and other amenities to consider for sponsorship.
- C6:** Increase targeted marketing and outreach efforts through stronger “branding” of the District and its parks and recreation offerings.

Focus Area D: Cost Savings – Cost Avoidance Strategies

Identifying practices and analysis methods for service planning and provision will help to consistently ensure the most cost effective use of resources.

- D1:** Continue to review internal management practices and identify and use cost savings practices producing cost effective results. Consider efficiencies, simplifying processes, placing approval/decision-making authority at appropriate levels, and providing periodic management reports using information generated in this process, among other strategies.
- D2:** Continue to maintain current capital and maintenance management plans appropriately budgeting for ongoing operating expenses.
- D3:** Identify parks that have active community support and evaluate the creation of “Friends” group programs to assist in ongoing maintenance efforts, including, but not limited to, Trail Ambassador programs, Natural Resources work days, and park clean-up days.
- D4:** Attribute a value or price per volunteer hour to recognize the contribution of volunteer efforts as a form of cost savings and cost recovery for the District. Include this information in all reporting of financial performance.

Focus Area E: Tier Specific Cost Recovery Strategies

Developing targets and a timeframe for reaching cost recovery goals focuses the efforts of Board and staff while providing a measurement of success. The following targets are based on a first pass at detailed cost accounting for each program and service. This might need refinement over the first year of implementation, so these should be considered preliminary targets to be re-evaluated prior to year two. These targets are set to be in addition to what is needed just to keep up with inflationary expenses. The intent is to reach the overall goal for each fund by the end of year three, essentially freeing the targeted dollar amount annually after that time.

E1: For the District's Enterprise Fund overall, the target is a cost recovery increase of approximately 4.5 percent, which equates to just over a 4 percent increase in revenues, or approximately \$78,560. The intent is to reach the overall goal by the end of year three, essentially freeing this amount annually after that time. It is not anticipated that the change will come only from revenue increases, but that expenditure decreases may also come into play. It should also be noted that the Enterprise Fund is carrying a much higher load of direct costs in the calculation of cost recovery than those borne by the Corporate and Recreation Services.

E2: For the District's Corporate and Recreation Services overall, the target is a cost recovery increase of approximately 1.5 percent, which equates to nearly a 5 percent increase in revenues, or just over \$100,000. The intent is to reach the overall goal by the end of year three, essentially freeing \$100,000 annually after that time. It is not anticipated that the change will come only from revenue increases, but that expenditure decreases may also come into play.

Tier 5: Mostly Individual Benefit

E3: Continue current marketing and management efforts to increase traffic at both the restaurant and golf club venues.

E4: Consider separating private rentals at Wheatstack from general restaurant operations to track cost recovery separately.

E5: Evaluate merchandise for resale at River Bend for higher cost recovery potential; consider gradual increase of golf fees to reach a minimum of 100 percent cost recovery.

E6: For Corporate and Recreation Services, increase cost recovery for this tier from 114 percent to 120 percent focusing on Sea Lion Aquatic Park Concessions, garden plots, and personal and partner training.

Tier 4: Considerable Individual Benefit

E7: Increase tier cost recovery from 100 percent to 112 percent, focusing on those programs and services that are under 100 percent currently: adult and youth sports leagues, swim team, and senior trips.

Tier 3: Balanced Individual and Community Benefit

E8: Increase tier cost recovery from 113 percent to 115 percent. This is a very large tier with a variety of programs and services, and a large capacity for volume, which helps bring this tier cost recovery level on par with Tier 4. However, within each category of service, there are areas that suggest a closer look at the cost accounting for accuracy. Understanding what is really happening at the programming level in light of cost recovery targets will go a long way in sorting through this tier and designing programs for higher cost recovery.

Tier 2: Considerable Community Benefit

E9: Increase tier cost recovery from 59 percent to 62 percent. This tier is made of wide range of current cost recovery. Particularly low cost recovery items are the Special Events (26%), Museum (3%), and Senior Programs/Drop in Programs (0%). Based on the public discussion, these programs should be evaluated for consideration of higher cost recovery through fees and charges, sponsorships, and/or partnerships. Inclusion is considered a cost of doing business in this category and is not intended to generate revenue.

Focus Area F: Evaluation & Performance Measures

This first year implementation will allow communication of the philosophy and policy, and adjustment of fees as indicated by the Model. It will also allow for staff and Board to see the implications for overall cost recovery; identify any currently unknown market, historical, and political filters; and allow staff to experience using the methodology.

F1: Conduct a one-year pilot implementation of the Resource Allocation and Cost Recovery Philosophy, Model, and Policy, and assess results. Thereafter, review the impact on an annual basis.

F2: Use both internal and external data to create performance measures.

- Conduct cost benefit analysis of programs by evaluating participation, waiting lists, cancellation rates, and rate of repeat customers.
- Conduct pre and post assessments of accessibility, impact to participants, and community wellness.
- Benchmark performance by conducting assessments of effectiveness using:
 - ✓ Self-benchmarking.
 - ✓ Surveys.
 - ✓ Commission for Accreditation of Park and Recreation Agencies (CAPRA) accreditation standards.
 - ✓ National Recreation and Park Association (NRPA) National Gold Medal Award winning cities or agencies in the similar population category.

F3: Establish program performance measures and base divisional work plans and individual goals on performance measures.

F4: Establish a formalized, District-wide program and service evaluation.

Focus Area G: Planning for the Future

The District will aid its planning efforts by proactively preparing for the needs of a changing community through a variety of engagement strategies.

- G1:** Continue to provide ongoing opportunities for community input through a variety of outreach efforts and keeping the input process current and reflective of changing demographics, interests, and economic conditions.
- G2:** Continue to participate in stakeholder and planning group meetings, etc.
- G3:** Continue collaborations and discussions other agencies including state and regional agencies.
- G4:** Include questions about value of services and fees in community-wide opinion and interest surveys conducted every five to seven years to determine community needs in light of changing demographics.

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Appendix A: The Pyramid Methodology

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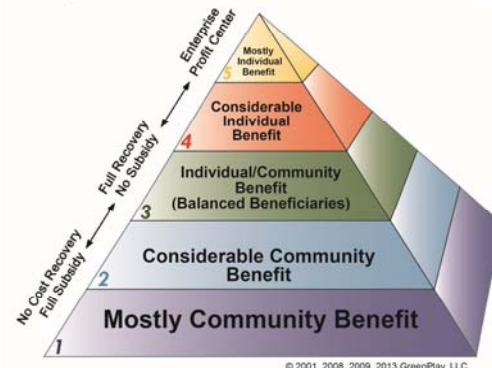
THE PYRAMID METHODOLOGY: COST RECOVERY AND SUBSIDY ALLOCATION PHILOSOPHY

The creation of a cost recovery and subsidy allocation philosophy and policy is a key component to maintaining an agency's financial control, equitably pricing offerings, and helping to identify core services including programs and facilities.

Critical to this philosophical undertaking is the support and buy-in of elected officials and advisory boards, staff, and ultimately, citizens. Whether or not significant changes are called for, the organization should be certain that it philosophically aligns with its constituents. The development of a financial resource allocation philosophy and policy is built upon a very logical foundation, based upon the theory that those who benefit from parks and recreation services ultimately pay for services.



The Pyramid Methodology



The development of a financial resource allocation philosophy can be separated into the following steps:

Step 1 – Building on Your Organization's Values, Vision, and Mission

The premise of this process is to align agency services with organizational values, vision, and mission. It is important that organizational values are reflected in the vision and mission. Oftentimes, mission statements are a starting point and further work needs to occur to create a more detailed common understanding of the interpretation of the mission and a vision for the future. This is accomplished by engaging staff and community members in a discussion about a variety of Filters.

Step 2 – Understanding the Pyramid Methodology, the Benefits Filter, and Secondary Filters

Filters are a series of continuums covering different ways of viewing service provision. **Filters** influence the final positioning of services as they relate to each other and are summarized below. The **Benefits Filter**, however; forms the **foundation** of the **Pyramid Model** and is used in this discussion to illustrate a cost recovery philosophy and policies for parks and recreation organizations.

Filter	Definition
Benefit	Who receives the benefit of the service? (Skill development, education, physical health, mental health, safety)
Access/Type of Service	Is the service available to everyone equally? Is participation or eligibility restricted by diversity factors (i.e., age, ability, skill, financial)?
Organizational Responsibility	Is it the organization's responsibility or obligation to provide the service based upon mission, legal mandate, or other obligation or requirement?
Historical Expectations	What have we always done that we cannot change?
Anticipated Impacts	What is the anticipated impact of the service on existing resources? On other users? On the environment? What is the anticipated impact of not providing the service?
Social Value	What is the perceived social value of the service by constituents, city staff and leadership, and policy makers? Is it a community builder?

THE BENEFITS FILTER

The principal foundation of the Pyramid is the **Benefits Filter**. Conceptually, the base level of the pyramid represents the mainstay of a public parks and recreation system. Services appropriate to higher levels of the pyramid should only be offered when the preceding levels below are comprehensive enough to provide a foundation for the next level. This foundation and upward progression is intended to represent public parks and recreation's core mission, while also reflecting the growth and maturity of an organization as it enhances its service offerings.

It is often easier to integrate the values of the organization with its mission if they can be visualized. An ideal philosophical model for this purpose is the pyramid. In addition to a physical structure, *pyramid* is defined by Webster's Dictionary as "an immaterial structure built on a broad supporting base and narrowing gradually to an apex." Parks and recreation programs are built with a broad supporting base of core services, enhanced with more specialized services as resources allow. Envision a pyramid sectioned horizontally into five levels.

MOSTLY COMMUNITY Benefit

The foundational level of the Pyramid is the largest, and includes those services including programs and facilities which **MOSTLY** benefit the **COMMUNITY** as a whole. These services may increase property values, provide safety, address social needs, and enhance quality of life for residents. The community generally pays for these basic services via tax support. These services are generally offered to residents at a minimal charge or with no fee. A large percentage of the agency's tax support would fund this level of the Pyramid.

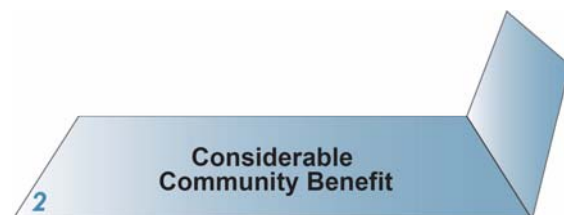


Examples of these services could include: the existence of the community parks and recreation system, the ability for youngsters to visit facilities on an informal basis, low-income or scholarship programs, park and facility planning and design, park maintenance, or others.

NOTE: All examples above are generic – individual agencies vary in their determination of which services belong in the foundation level of the Pyramid based upon agency values, vision, mission, demographics, goals, etc.

CONSIDERABLE COMMUNITY Benefit

The second and smaller level of the Pyramid represents services which promote individual physical and mental well-being, and may begin to provide skill development. They are generally traditionally expected services and/or beginner instructional levels. These services are typically assigned fees based upon a specified percentage of direct (and may also include indirect) costs. These costs are partially offset by both a tax subsidy to account for **CONSIDERABLE COMMUNITY** benefit and participant fees to account for the **Individual** benefit received from the service.



Examples of these services could include: the capacity for teens and adults to visit facilities on an informal basis, ranger led interpretive programs, beginning level instructional programs and classes, etc.

BALANCED INDIVIDUAL/COMMUNITY Benefit

The third and even smaller level of the Pyramid represents services that promote individual physical and mental well-being, and provide an intermediate level of skill development. This level provides balanced **INDIVIDUAL** and **COMMUNITY** benefit and should be priced accordingly. The individual fee is set to recover a higher percentage of cost than those services that fall within lower Pyramid levels.



Examples of these services could include: summer recreational day camp, summer sports leagues, year-round swim team, etc.

CONSIDERABLE INDIVIDUAL Benefit

The fourth and still smaller Pyramid level represents specialized services generally for specific groups, and those which may have a competitive focus. Services in this level may be priced to recover full cost, including all direct and indirect expenses.



Examples of these services could include: specialty classes, golf, and outdoor adventure programs.

MOSTLY INDIVIDUAL Benefit

At the top of the Pyramid, the fifth and smallest level represents services which have profit center potential, may be in an enterprise fund, may be in the same market space as the private sector, or may fall outside the core mission of the agency. In this level, services should be priced to recover full cost in addition to a designated profit percentage.



Examples of these activities could include: elite diving teams, golf lessons, food concessions, company picnic rentals, and other facility rentals such as for weddings or other services.

Step 3 – Developing the Organization’s Categories of Service

In order to avoid trying to determine cost recovery or subsidy allocation levels for each individual agency service including every program, facility, or property, it is advantageous to categorize agency services into like categories. This step also includes the development of category definitions that detail and define each category and service inventory “checks and balances” to ensure that all agency services belong within a developed category. *Examples of Categories of Service could include: Beginner Instructional Classes, Special Events, and Concessions/Vending.*

Step 4 – Sorting the Categories of Service onto the Pyramid

It is critical that this sorting step be done with staff, governing body, and citizen representatives involved. This is where ownership is created for the philosophy, while participants discover the current and possibly varied operating histories, cultures, and organizational values, vision, and mission. It is the time to develop consensus and get everyone on the same page – the page that is written together. Remember, this effort must reflect the community and must align with the thinking of policy makers.

Sample Policy Development Language:

XXX community brought together staff from across the department, agency leadership, and citizens to sort existing programs into each level of the Pyramid. The process was facilitated by an objective and impartial facilitator in order to hear all viewpoints. It generated discussion and debate as participants discovered what different people had to say about serving culturally and economically varied segments of the community, about historic versus active-use parks, about the importance of adult versus youth versus senior activities, and other philosophical and values-based discussions. This process gets at both the “what” and “why” with the intention of identifying common ground and consensus.

Step 5 – Defining Direct and Indirect Costs

The definition of direct and indirect costs can vary from agency to agency. What is important is that all costs associated with directly running a program or providing a service are identified and consistently applied across the system. Direct costs typically include all the specific, identifiable expenses (fixed and variable) associated with providing a service. These expenses would not exist without the service and may be variable costs. Defining direct costs, along with examples and relative formulas is necessary during this step.

Indirect costs typically encompass overhead (fixed and variable) including the administrative costs of the agency. These costs would exist without any specific service but may also be attributed to a specific agency operation (in which case they are direct expenses of that operation). If desired, all or a portion of indirect costs can be allocated, in which case they become a direct cost allocation.

Step 6 – Determining (or Confirming) Current Subsidy/Cost Recovery Levels

This step establishes the expectation that the agency will confirm or determine current cost recovery and subsidy allocation levels by service area based on the new or revised definition of direct and in-direct costs. This will include consideration of revenues sources and services costs or expenses. Typically, staff may not be cost accounting consistently, and these inconsistencies will become apparent. Results of this step will identify whether staff members know what it costs to provide services to the community, whether staff have the capacity or resources necessary to account for and track costs, whether accurate cost recovery levels can be identified, and whether cost centers or general ledger line items align with how the agency may want to track these costs in the future.

Step 7 – Establishing Cost Recovery/Subsidy Goals

Subsidy and cost recovery are complementary. If a program is subsidized at 75%, it has a 25% cost recovery, and vice-versa. It is more powerful to work through this exercise thinking about where the tax subsidy is used rather than what is the cost recovery. When it is complete, you can reverse thinking to articulate the cost recovery philosophy, as necessary.

The overall subsidy/cost recovery level is comprised of the average of everything in all of the levels together as a whole. This step identifies what the current subsidy level is for the programs sorted into each level. There may be quite a range within each level, and some programs could overlap with other levels of the pyramid. This will be rectified in the final steps.

This step must reflect your community and must align with the thinking of policy makers regarding the broad picture financial goals and objectives.

Examples

Categories in the bottom level of the Pyramid may be completely or mostly subsidized, with the agency having established limited cost recovery to convey the value of the experience to the user. An established 90-100% subsidy articulates the significant community benefit resulting from these categories.

The top level of the Pyramid may range from 0% subsidy to 50% excess revenues above all costs, or more. Or, the agency may not have any Categories of Service in the top level.

Step 8 – Understanding and Preparing for Influential Factors and Considerations

Inherent to sorting programs onto the Pyramid model using the Benefits and other filters is the realization that other factors come into play. This can result in decisions to place services in other levels than might first be thought. These factors also follow a continuum; however, do not necessarily follow the five levels like the Benefits Filter. In other words, a specific continuum may fall completely within the first two levels of the Pyramid. These factors can aid in determining core versus ancillary services. These factors represent a layering effect and should be used to make adjustments to an initial placement on the Pyramid.

THE COMMITMENT FACTOR: What is the intensity of the program; what is the commitment of the participant?



THE TRENDS FACTOR: Is the program or service tried and true, or is it a fad?



THE POLITICAL FILTER: What is out of our control?

This filter does not operate on a continuum, but is a reality, and will dictate from time to time where certain programs fit in the pyramid

THE MARKETING FACTOR: What is the effect of the program in attracting customers?



THE RELATIVE COST TO PROVIDE FACTOR: What is the cost per participant?



THE ECONOMIC CONDITIONS FACTOR: What are the financial realities of the community?



FINANCIAL GOALS FACTOR: Are we targeting a financial goal such as increasing sustainability, decreasing subsidy reliance?



Step 9 – Implementation

Across the country, ranges in overall cost recovery levels can vary from less than 10% to over 100%. The agency sets their goals based upon values, vision, mission, stakeholder input, funding, and/or other criteria. This process may have been completed to determine present cost recovery levels, or the agency may have needed to increase cost recovery levels in order to meet budget targets. Sometimes, simply implementing a policy to develop equity is enough without a concerted effort to increase revenues. Upon completion of steps 1-8, the agency is positioned to illustrate and articulate where it has been and where it is heading from a financial perspective.

Step 10 – Evaluation

The results of this process may be used to:

- articulate and illustrate a comprehensive cost recovery and subsidy allocation philosophy
- train staff at all levels as to why and how things are priced the way they are
- shift subsidy to where it is most appropriately needed
- benchmark future financial performance
- enhance financial sustainability
- recommend service reductions to meet budget subsidy targets, or show how revenues can be increased as an alternative
- justifiably price new services

This Cost Recovery/Subsidy Allocation Philosophy: The Pyramid Methodology Outline is provided by:



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Appendix B: Lisle Park District Categories of Service

Purpose: Prior to sorting each service onto the Pyramid, the Lisle Park District Project Team created the District's **Categories of Services**, reflecting the facilities, programs, and services offered by the Lisle Park District and including definitions and examples. "Narrowing down" facilities, programs, and services and placing them in categories (groups of like or similar service) that best fit their descriptions allows a reasonable number of items to be sorted onto the pyramid tiers using the **Individual and Community Benefit** filter. A series of public workshops were held the week of November 17, 2014 to sort the categories onto the five tiers of the pyramid with the following result.

"The public's input was of great value not only in the more obvious sense of helping place our services on different levels of the pyramid, but in the impact it had on staff and the Board to be able to observe and listen firsthand what they think of the services we all provide,"

Lisle Park District Board and Staff

Thirty-six (36) categories of services were initially identified. As a result of the public input received and further clarification and consideration by staff, two categories of service were added and four category names were changed as indicated below.

Additions:

Golf Operation Services

Golf Operation Services include greens fees and outings and was added as a specific category. These services as well as other golf offerings such concessions/vending, merchandise for resale, private lessons, cart rentals, adult and junior group lessons, and adult leagues fall in appropriate categories, but are found on the Enterprise Pyramid. The underlying premise of the model and category distinctions is still appropriate; however, expectations for cost recovery differ.

Youth and Adult Classes – Beg Multi Level

This category was added to capture classes offered for all age groups that clearly did not fit into either youth or adult categories.

Changes:

Reciprocity Activities

To clarify, this category was renamed as **Intergovernmental Agencies Activities**.

Rentals – Intergovernmental Agency and Local Non-Profits

To clarify, this category was renamed as **Rentals –Local Non-Profits**. Intergovernmental Agency was removed from the name as those uses fall under the newly named **Intergovernmental Agencies Activities** category.

Both **Youth Recreational** and **Competitive Leagues** were clarified as Lisle Park District (LPD) run leagues.

The thirty-eight (38) resulting Categories of Service and their definitions are described in the following chart.

LISLE PARK DISTRICT (LPD) CATEGORIES OF SERVICE (38 CATEGORIES)

Tier 5 Mostly Individual Benefit

Restaurant – food and beverage sold for individual use or consumption with destination dining services (example: Wheatstack – A Midwestern Eatery & Tap).

Golf Operations Services – greens fees and outings (example: River Bend Golf Club).

Merchandise for Resale – merchandise sold for individual or team use (examples: River Bend pro shop, retail sales at Sea Lion Aquatic Park and Community Park Fitness, etc.).

Concessions and Vending – food and beverage sold for individual use or consumption that is ancillary to another activity (examples: vending machines, in-house program concessions, Sea Lion Aquatic Park concession stand, contracted outside vendors, etc. Does NOT include Lisle Baseball-Softball concessions in Community Park).

Private Lessons – lessons arranged for one to three students with a specific instructor and/or time (examples: personal training, private lessons with a tennis or golf pro, private swim lessons, etc.).

Rentals – Private – rentals for exclusive use of spaces and facilities on a one-time or one season basis by a private individual, group, or for-profit business (Examples: weddings, retirement party, and/or family reunions; golf carts; athletic fields for private uses).

Tier 4 Considerable Individual Benefit

Adult Leagues – multi-game athletics for adult participants of multi-skill levels groups that are organized, managed, and/or scheduled by LPD, may or may not be officiated and/or judged, and may or may not be scored, providing a team experience for participants with the intent to play a game/match-format or to compete on a recreational level (examples: volleyball, soccer, softball, golf leagues, etc.).

Long-Term Leases – For-Profit - exclusive use of spaces and facilities for ongoing or multiple time-periods by a private individual or group for-profit business (examples: outsourced spaces, services, or concessions).

Adult Classes, Workshops, and Programs – Advanced/Competitive – same as Beginning/Multi-Level, but with a focus on advanced or competitive activities; has a skill level pre-requisite for attendance. (examples: advanced yoga, photography, etc.).

Athletic Field Rentals Youth Competitive Leagues – same as athletic field rentals for youth recreational leagues, but with a competitive focus (examples: Lisle Baseball Travel, Lisle Slammers, Lisle Wolves).

Trips – day, overnight, and extended trips that provide opportunities for participants to visit selected destinations. (Examples: Senior Trips, does not include teen trips)

Youth Classes, Workshops, and Programs –Advanced/Competitive – same as Beginning/Multi-Level, but with a focus on advanced or competitive activities; has a skill level pre-requisite for attendance (Examples: swim team, etc.).

LPD Youth Competitive Leagues – same as youth recreational leagues, but with a competitive focus (examples: Classic Soccer League, travel basketball, etc.).

Tier 3 Balanced Community/Individual Benefit

Adult Classes, Workshops, and Programs – Beginning/Multi-Level – group recreational and/or instructional programs and activities for adults operated or taught by LPD through contract or staff including educational classes and athletics, with no pre-requisite for attendance (examples: art, dance, martial arts, learn to swim, fitness and wellness, golf lessons, dog obedience, How-To workshops, other general interest programs, etc.).

Athletic Field Rentals for Youth Recreational Leagues – multi-game athletics for youth participants of multi-skill levels that are organized, managed, and/or scheduled by outside youth serving organizations, may or may not be officiated and/or judged, and may or may not be scored, providing a team experience for participants with the intent to play a game/match-format or to compete on a recreational level (examples: Lisle Baseball In-house).

Before and After School Programs – before and after school programs with a social, recreational and/or educational focus which may include specific instructional or skills activities, homework help, etc.

Camps – recreational camps and school break programs with a social, recreational and/or educational focus which may include field trips, and specific instructional or skills activities (examples: Camp Summer Quest, No Name Teen Camp, Winter Quest, School's Out Quest, etc.).

Preschool – structured curriculum-based education programs for children 2.5-5 years old that prepare them for kindergarten.

Senior (50+) Registration Programs – group recreational, instructed and/or facilitated programs and activities operated or taught by LPD through contract or staff that require registration, including educational classes and athletics, with no pre-requisite for attendance (examples: Brain Games, Music Series, Wellness, etc.; this does not include trips).

Rentals – Non-Local Non-Profit – rentals for exclusive use of spaces and facilities on a one-time or one season basis by a 501 (c)(3) or (c)(4) non-profit agency (example: charitable walks).

Teen Programs – entry level group recreational instructional, social activities, and trips, instructed or supervised by LPD through contract or staff for teens, including educational classes and athletics, with no pre-requisite for attendance (examples: teen trips, Jr. High After Hours, Babysitting Skills, etc.; does not include No Name Teen Camp).

Adult/Youth Classes – Beginning/Multi-Level – group recreational and/or instructional programs and activities for adults and youth operated or taught by LPD through contract or staff including educational classes and athletics, with no pre-requisite for attendance (examples: tennis, fencing, archery, etc.).

Youth Classes, Workshops, and Programs – Beginning/Multi-Level – group recreational and/or instructional programs and activities operated or taught by LPD through contract or staff for early childhood and/or youth, including educational classes and athletics, with no pre-requisite for attendance (examples: enrichment programs, art, dance, gymnastics, martial arts, athletic skills, learn to swim, fitness and wellness, golf lessons, science and technology or general interest programs, etc.; this does not include preschool).

Long-Term Leases – Local Not-for-Profit – exclusive use of spaces and facilities for ongoing or multiple time periods by a local not-for-profit private individual or group (examples: honey bee operation, SEASPAR lease of Recreation Center space).

Work Study/Internship/Community Service Program – management of services that support educational or repayment requirements (examples: Eagle Scout projects, community service, etc.)

Tier 2 Considerable Community Benefit

Inclusion Services – provides for universal accommodation and programs to any agency activity, park, and/or facility providing leisure opportunities to people with disabilities; Inclusion services comply with the Americans with Disabilities Act (ADA federal mandate).

Museums – Museums at Lisle Station Park general operations and programming.

Service Groups – a sanctioned group for persons with common special interest; may or may not include self-initiated or scheduled activities (examples: Lisle Teens with Character, etc.).

Special Events – LPD run community-wide events typically offered on an annual basis (examples: Monster Madness, Family Fun Fest, Egg Hunt, etc.).

Staffed Park/Facility Use – drop-in use of a park/facility/activity that is non-registered and non-instructed, yet is monitored by agency staff/volunteer supervision (examples: open gym, open swim, fitness center, senior center, etc.).

LPD Youth Recreational Leagues – multi-game athletics for youth participants of multi-skill levels that are organized, managed, and/or scheduled by LPD and may or may not be scored, providing a team experience for participants with the intent to play a game/match-format or to compete on a recreational level (examples: basketball, soccer, etc.).

SEASPAR Therapeutic/Adaptive/Special Recreation Services – specialized leisure opportunities for people with disabilities designed and managed to be specific to the physical, cognitive, social, and affective needs of these populations. These are not unified programs, nor are they reasonable accommodations required as inclusionary services (examples: Special Olympics training, SEASPAR use of Sea Lion Aquatic Park, Community Park Fitness, etc.).

Rentals –Local Non-Profits – exclusive use of spaces and facilities on a one-time or ongoing basis to or local non-profit groups (examples: meetings/trainings or services of 501 (c)(3) or (c)(4) agencies, etc.).

Volunteer Program – management of opportunities for individuals or groups to donate their time and effort to a structured or scheduled experience, opportunities may replace essential services or provide enhancements (examples: adopt-a-park program volunteers, special events, docent, etc.).

Tier 1 Mostly Community Benefit

Social Services – services that are offered by LPD (often through another complementary agency or organization) to provide social, wellness, or safety benefits that do not fit into other traditional park and recreation instructional, special event and/or athletics offerings (examples: AARP tax services, Polling Place, blood drives, Operation Support Our Troops, etc.).

Inter-Governmental Agency Activities – facility and program management or scheduling services provided by the LPD to outside groups or other agencies (examples: Intergovernmental Agreement with School District 202, Village of Lisle, etc.).

Non-Staffed Park/Facility Use – general park maintenance, drop-in use of park/facility/activity that is non-registered and non-instructed, and is not monitored by agency staff/volunteer supervision (examples: use of trail/multi use path, playgrounds, park, skatepark, courts, fishing, self-guided tours, etc.).

Support Services – services and facilities that are provided by the staff and volunteers that support the administration, operations, and/or general LPD operations that are not allocated as direct expenses (examples: information technology, finance and accounting services, human resources, District-wide marketing, internal trainings, Advisory Committees, Park Foundation administrative support, risk management services, etc.); may or may not be shown on the pyramid and are considered in-direct costs.

Appendix C: Direct & Indirect Costs Definitions

The Lisle Park District has determined the following definitions of cost for use in consistently calculating rates of cost recovery for programs and services across the District.

Direct Costs: Any expense, fixed and variable, *directly attributable to a provided facility or service*. These expenses would not exist without the service. Examples include:

- Labor for Full-time and part-time staff, seasonal, and volunteer; benefits; requirements for being an employee costs:
 - Recreation Program Managers wages – full time and part time (proportioned by staff estimate of how time is spent in terms of percentage of total time across all programs and services).
 - Park and Facility Department full time and part time staff wages (specialists, seasonal employees, custodians, building attendants, etc. (Includes park maintenance expense that support unstaffed park/facility use).
 - River Bend Golf Club full-time, part-time, and seasonal staff.
 - Wheatstack Restaurant full-time and part-time staff.
 - Part-time staff (field supervisors, scorekeepers, counselors, instructors, cashiers, etc.).
 - Personnel benefits including FICA; Medicaid; Workers' Compensation Insurance; Unemployment Insurance; pension; health, dental and other insurance premiums as applicable. (Currently estimate at 34% of total compensation package for regular FTEs and 8% for part time employees).
 - Background checks and pre-employment physicals and drug screenings of employees and volunteers.
 - Marketing labor (staff costs) specific to a program.
- Contracted services for officials, instructors, entertainers, etc.
- Contracted maintenance services (golf course grounds maintenance and repairs, outsourced park and facility maintenance and repairs, trash and recycling services, fertilizer and herbicide applications, tree removal, portable restroom facility rental, mechanical equipment repairs & maintenance, etc.).
- Consumable equipment and supplies – typically less than a one year life-cycle (balls; arts & crafts supplies; herbicide; fertilizer; trash bags; Sea Lion Aquatic Park supplies including chemicals, kick boards and first aid supplies; rescue equipment; cups/plates/utensils, food and beverage, awards and trophies, all restaurant and golf course equipment and supplies).
- Non-consumable equipment purchased only for a particular service that requires periodic, continual repair, maintenance and replacement (balls, bases, fitness equipment, tables, chairs, aquatic park mechanical equipment, umbrellas, lane lines, diving blocks, soccer goals, tennis nets, fencing, restaurant and golf course copiers, telecommunications equipment, computers, AV equipment, etc.).
- Uniforms, logoed shirts, etc. for participants, staff, and volunteers.
- Licenses and Permits – health, food and alcohol.
- Licensing agreements for the use of motion pictures (Swank).
- Software licensing for specific operations such as restaurant and golf operations; registration.
- Professional association memberships such as (CDGA for golf, etc.).
- PDRMA insurance required for specific events.
- Program and facility specific training (coaching, staff development, lifeguarding, etc.).

- Transportation of participants – program specific busses and vans for trips and associated fleet costs including repairs.
- Targeted marketing, promotions, printing, distribution, print advertising, etc.
- Facility utilities for River Bend Golf Club (proshop and River Bend golf maintenance facility), Wheatstack Restaurant, Recreation and Community Centers, Sea Lion Aquatic Park, Museum complex, Community Park. (Not Parks Department or River Road Maintenance Facility, etc., these are indirect costs).
- For enterprise operations:
 - Merchant fees.
 - Registration transaction fees.
 - Legal fees and legal notices.
 - Employment advertisements.

Indirect Costs: Remaining overhead, both fixed and variable, including the administrative costs of the agency, not identified as Direct Costs and that would generally exist without any one specific service. Examples include:

- Administrative full-time and part-time staff labor (Department heads, human resources, customer service personnel, accounts payable & payroll staff, etc.).
 - Percent of any full time wages that are not apportioned to a specific facility or service (may include training, etc.).
 - Personnel benefits including FICA; Medicaid; Workers' Compensation Insurance; Unemployment Insurance; pension; health, dental and other insurance premiums as applicable (Currently estimate at 34% of total compensation package for regular FTEs and 8% for part time employees).
 - Background checks and pre-employment physicals and drug screenings of employees and volunteers.
- Information Technology (IT) services.
- Property and casualty insurance (PDRMA) – non-event specific.
- Facility utilities for Parks Department, River Bend Maintenance facility, etc.
- Facility safety and security costs (surveillance cameras, security & fire alarms, etc.).
- Consumable equipment and supplies for Recreation and Community Centers, Parks Department, River Road Maintenance facility, etc. (janitorial supplies including toilet paper, mops and cleaning supplies; kitchen supplies, staff uniforms/logo apparel; etc.).
- Service contracts and non-consumable equipment that require periodic repair, maintenance, and replacement (copiers, printers, fax machines, telephones, computers, AV equipment, facility mechanical equipment, etc.).
- Office supplies.
- Staff training, professional development, continuing education, professional affiliations, meetings, and associated travel costs, etc.
- Agency association memberships (Illinois Association of Park Districts, Illinois Park & Recreation Association, National Recreation & Park Association, Chamber of Commerce, etc.).
- Licensing agreements for the use of music (ASCAP, BMI, etc.).
- Merchant fees.
- Registration transaction fees.
- Legal fees and legal notices.
- Employment advertisements.
- Trash and recycling services.

- General park district marketing and communications (web site design and maintenance, program brochure, social media communications, postage and brochure delivery costs etc.).
- Shared Transportation costs – non-program specific busses, vans and associated fleet costs, as well as staff mileage not related to specific programs.
- Parks maintenance that is not considered direct costs.

Room Rentals

Hourly costs for room rentals are calculated based on a formula using expenditures directly related to the cost of operating the facility as identified above as Direct Costs for facilities and spaces. Those costs are divided into operating hours in each facility and the square footage of the facility (excludes bathrooms, hallways, office/lobby areas). This formula establishes per hour/per square foot rates for each facility. The rate is used to determine fees at appropriate cost recovery levels for rentals.

A small amount of operational costs are considered indirect or support because the centers do provide walk-in access to restrooms and perform as information/resource centers with no associated revenues.

Establishing Tier Cost Recovery Target Percentages

Target Tier Cost Recovery Percentages are established by identifying and analyzing current cost recovery for each category of service on each tier of the pyramid level, as well as for the aggregated categories within each tier. Careful consideration is then given to financial and service goals. Cost recovery performance can be affected through both adjustments in service delivery strategies and adjustments in revenues to be generated through alternative funding sources including fees and charges. Targets are only recovering **Direct Cost** of service provision, not all costs, or fully loaded (direct and indirect) costs.

Target Tier Minimum Cost Recovery Percentages represent the minimum cost recovery for the tier. It is intended that the average of all categories on the tier does not fall below the Target Tier Minimum.

Appendix D: Developing a Pricing Strategy

As the final step in the development of the **Cost Recovery Model, Resource Allocation Philosophy, Model, and Policy**, pricing strategies were considered. This discussion should continue in the future, and the following topic areas should be included and applied.

1. Understanding financial trends

The increasing complexity and resulting shifts of our society's economy have led to what can be deemed as constant fiscal change in government. Public sector administrators and managers must be prepared to respond to the fiscal realities that have resulted from these economic shifts. Trends impacting fiscal and pricing decisions include:

- Increased governmental accountability.
- Increased demand for people's "leisure dollar."
- On-going or increased demand for services with no/limited additional funding, or decreased funding.
- Disinterest in service reductions or increased fees and charges.
- Increased operating expenses (utilities, fuel, personnel, supplies, etc.).

2. Understanding the budget process and fiscal year cycle

Budgets are viewed as annual financial plans and include planning and forecasting, establishing priorities, and a way to monitor fiscal process. This overview allows for an abbreviated look at the process and how it is impacted by pricing.

3. Understanding the costs of service provision

Prior to making pricing decisions, it is important to understand the different types of service provision costs. Having knowledge of the various types of costs allows staff to make better informed pricing decisions. The different types of service provision costs are as follows:

- Direct costs.
 - Fixed costs.
 - Changing fixed costs.
 - Variable costs.
- Indirect Costs.

4. Understanding the purpose of pricing

There are many reasons to develop service fees and charges. These include, but are not limited to, the following:

- Recover costs.
- Create new resources.
- Establish value.
- Influence behavior.
- Promote efficiency.

5. Pricing strategies – differential pricing

Differential pricing is grounded in the notion that different fees are charged for the same service when there is no real difference in the cost of providing the service. There may be many reasons the District may wish to consider this pricing strategy including:

- To stimulate demand for a service during a specified time.
- To reach underserved populations.
- To shift demand to another place, date, or time.

6. Alternative funding sources

In general, there has been a decrease in the amount of tax support available to public parks and recreation agencies across the nation. The District is forward thinking in its planning. As such, the need to look at alternative funding sources as a way to financially support services has become commonplace. Alternative funding sources are vast and can include:

- Gifts.
- Grants.
- Donations.
- Sponsorships.
- Collaborations.
- Volunteer contributions.

7. Examining the psychological dimensions of pricing

In addition to the social and environmental issues surrounding pricing, the human elements of pricing must be considered. Regardless of how logical a price may seem, customer reactions and responses are their own and can be vastly different than what one might expect. The psychological dimensions of pricing includes:

- Protection of self-esteem (pricing in such a way as to not offend certain users).
- Price-quality relationship (value received for every dollar spent).
- Establishing a reference point (worth of service in comparison to others).
- Objective price (price has a basis in fact, is real, and impartial).
- Subjective price (price is not biased or prejudiced).
- Consistency of image (perception of the brand and identification with product or service).
- Odd pricing (perception of arbitrary or incongruent pricing).

8. Establishing initial price

Establishing an actual price for a program can be based upon a variety of strategies including:

- Arbitrary pricing: basing fees on a general provision such as raising all fees \$.25 to meet budget goals which ignores market conditions and cost recovery goals. Arbitrary pricing is not encouraged, as it is impossible to justify.
- Market pricing: a fee based on demand for a service or facility or what the target market is willing to pay for a service. The private and commercial sectors commonly use this strategy. One consideration for establishing a market rate fee is determined by identifying all providers of an identical service (Examples: private sector providers, municipalities, etc.), and setting the highest fee. Another consideration is setting the fee at the highest level the market will bear.

- Competitive pricing: a fee based on what similar service providers or close proximity competitors are charging for services. One consideration for establishing a competitive fee is determined by identifying all providers of an identical service (Examples: private sector providers, municipalities, etc.), and setting the mid-point or lowest fee.
- Cost recovery pricing: a fee based on cost recovery goals within market pricing ranges.

9. Understanding price revisions

Once a price is established, there may be the need to periodically review it and examine the need for revision. In some cases, “revised” may be viewed as “increased”; therefore, a systematic approach to pricing revision is important. Factors to consider in pricing revision include:

- Customer tolerance: the degree to which small increases in price will not encounter client resistance.
- Adjustment period: the period of time where the value of the service is assessed by the customer in relation to the price increase. The value of the service from the customer’s perspective must meet or exceed the impact of the increased cost. Adjustment periods may lead to diminished participation or termination of participation altogether based upon customer loyalty and other factors.
- Customers’ perceived value of the service: the degree to which services including programs, facilities, and parks impact the public (individual and community), or in other words, the results or outcomes of services. Value is the judgment or perception of worth or the degree of usefulness or importance placed on a service *by personal opinion*. The intent or intention of a service is the purpose, aim, or end.

10. The pricing process – developing a method

Staff participating in the series of workshops engaged in interactive exercises that applied the cost recovery goals of their respective service areas. The workshops prompted discussions leading to recommended changes to selected current pricing practices with the intention of attaining recommended cost recovery and tax investment allocation goals and establishing a new method for setting fees and charges. This method is based upon using cost recovery goals as a primary pricing strategy, followed by either market pricing (for services with low alternative coverage – few if any alternative providers) or competitive pricing (for services with high alternative coverage – other alternative providers offer similar or like services).

Appendix E: Comparative Analysis Criteria

Limits of Comparative Data and Analysis

Comparative analysis (benchmarking) is an important tool that allows for comparison of certain attributes of the Lisle Park District's management practices and fee structure. This process creates deeper understanding of alternative providers, your place in the market, and varying fee methodologies, which may be used to enhance and improve the service delivery of parks and recreation.

It is very difficult to find exact comparable communities, because each has its own unique identity, ways of conducting business, and differences in the populations that it serves. The political, social, economic, and physical characteristics of each community make the policies and practices of each parks and recreation agency unique. It is important to keep in mind that while many park and recreation agencies primarily serve residents, others serve a large portion of non-residents, while others still cater to the tourism market.

Despite efforts to promote uniformity in comparison, organizations often have slightly different fee structures and associated benefits. For example, some parks and recreation agencies may not report all benefits associated with the purchase of a center membership, or may not explain the breadth of indoor recreation spaces they have in the same way as another. The availability of detailed information may also be limited.

Additionally, organizations do not typically define the expenditures of parks, trails, facilities, and maintenance the same way. Agencies also vary in terms of how they organize their budget information, and it may be difficult to assess whether or not the past year's expenses are typical for the community. Despite these inherent limitations, the comparative analysis and fee comparisons criteria presented in this document should be used as a catalyst for the District to continue to research fees, market position, and best practices for more specific areas when they are needed.

Comparative Analysis Data Sought

The communities selected for benchmarking data should be chosen primarily for their proximity and perceived similarities to the District. Requested comparative data in addition to service specific fee structure may include:

- Values, vision, and mission of the organization
- Population and demographics
- Median household income and household size
- Prior year budget, actual expenses, and revenues for the entire agency
- Prior year budget, actual expenses, and revenues for the parks and recreation divisions
- Number and square footage of Community/Recreation Centers
- Total acres of open space and developed park land
- Number of maintenance acres contracted out and maintenance description
- Total miles of agency maintained trails
- Number of indoor and outdoor pools
- Number of lighted and unlighted softball/baseball fields
- Recreation and parks agency full-time employees

Often, comparative analysis data looks to weigh pertinent data along with comparing against a “per thousand” population calculation for categories including: total agency budget, total acres, developed acres, miles of trails, Community/Recreation Center square footage, number of pools, number of softball/baseball fields, and recreation FTEs. Parks expenses and FTEs can be calculated per developed acre. Population, demographics, median household income, and household size estimates can be provided by the U.S. Census.

Fee Comparison Considerations

To compare fees, other factors should be considered along with the price or fee charged for a program, rental, admission, pass, or other services. Be sure to include comparative data for each fee as applicable:

- Program contact hours
- Program session length
- Student/teacher ratio
- Contractor or in-house instructional staff
- Instructor qualifications
- Program quality
- Materials included or additional fees
- Set up/tear down and preparation time included
- Facility amenities included in admission or pass
- Programs included with admission or pass
- Towel service, locker, equipment usage included or extra
- Hours of operation or availability of service
- Peak or off peak pricing
- Packaging
- Value added amenities or services
- Service area demographics
- Tax investment versus cost recovery goals
- Use of alternative funding

Appendix F: Parks and Recreation Funding Sources

Park and Recreation agencies are funded through many different types of traditional and alternative sources. These funding sources compiled by GreenPlay are categorized for Lisle Park District as either funding sources currently being utilized or potential funding opportunities in the future. They are listed as traditional funding sources and alternative funding sources in three tiers:

Tier 1: Currently being used, or could easily be used by Lisle Park District to create the existing budgets for capital and operational expenditures.

Tier 2: Potential funding opportunities Lisle Park District would consider for additional funding of capital and operational expenditures.

Tier 3: Potential funding opportunities Lisle Park District could consider for additional funding of capital and operational expenditures. These funding sources may not be available currently in the State of Illinois or an intergovernmental agreement may be necessary for implementation. These funding sources may meet with some resistance and be more difficult to implement.

Traditional Funding Sources

Parks and recreation operating and capital development funding traditionally comes from conventional sources such as sales, use, and property tax referenda voted upon by the community, along with developer exactions. Operating funds are typically capped by legislation; may fluctuate based on the economy, public spending, or assessed valuation; and may not always keep up with inflationary factors. In the case of capital development, “borrowed funds” sunset with the completion of loan repayment and are not available to carry-over or re-invest without voter approval. Explained below are the salient points of traditional funding sources. Many of these strategies are currently being used to some extent by Lisle Park District.

Traditional Tax and Exactions-Based Funding Resources

Currently being used, or could easily be used

General or Operating Fund

Parks and recreation services are typically funded by an agency’s general, operating, or corporate fund, which can be comprised of property tax, sales tax, and other compulsory charges levied by a government for the purpose of financing services performed for the common benefit of a community. These funds may also come from resources such as inter-governmental agreements, reimbursements, and interest and may include such revenue sources as franchise taxes, licenses and permits, fees, transfers in, reserves, interest income, and miscellaneous other incomes.

Property Tax

Property tax revenue often funds park and recreation special districts and may be used as a dedicated source for capital development. When used for operation funding, it often makes the argument for charging resident and non-resident fee differentials.

Could consider; may meet with some resistance and be more difficult to implement

Sales Tax

This revenue source often funds public park and recreation agencies either partially or fully. Sales tax revenue is very popular in high traffic tourism agencies and with cities, counties, and state parks. Special Districts cannot exact sales taxes, which often calls into question the issue of charging resident and non-resident fee differentials.

Development Funding

Currently being used, or could easily be used

Park Land Dedication Ordinance

Park land dedication requirements typically state that all residential subdivisions of land (and often commercial), with some exemptions, are to provide for parks by either dedicating land, paying an in-lieu fee (the amounts may be adjusted annually), or a combination of the two.

Development Impact Fees

Development impact fees are one-time charges imposed on development projects at the time of permit issue to recover capital costs for public facilities needed to serve new developments and the additional residents, employees, and visitors they bring to the community. State laws, with a few minor exceptions, prohibit the use of impact fees for ongoing maintenance or operations costs. Not all states allow the collection of impact fees.

Fees and Charges

Currently being used, or could easily be used

Ticket Sales/Admissions

This revenue source is for accessing facilities for self-directed or spectator activities such as splash parks, ballparks, and entertainment activities. Fees may also be assessed for tours, entrance or gate admission, and other activities, which may or may not be self-directed. These user fees help offset operational costs or apply to new projects.

Registration Fees

This revenue source is for participating in programs, classes, activities, and events which typically require pre-registration to ensure a place. These services may or may not have limited space. These participant fees attempt to recover most if not all of the direct expenses and are often revenue positive due to market demand.

Daily Admission and Annual Pass Sales or Vehicle Permits

Daily and annual pass fees can apply to regional parks and aquatics centers. The consultant team recommends consideration of bulk discount buying of daily admission fees marketed as “monthly, seasonal, 3-month, 6-month, and/or annual passes.”

Alternative Funding Sources

Alternative funding sources include a variety of different or non-conventional public sector strategies for diversifying the funding base beyond traditional tax-based support. The following is a list of known industry funding practices, potential sources, and strategies, as compiled by GreenPlay. Some of the strategies are currently used by Lisle Park District, but may not be used to maximum effectiveness or capacity. Those that may not currently be used by Lisle Park District should be considered for a project’s or the operation’s specific relevance.

NOTE: *Not every funding mechanism on this list may be allowable by law, as the laws, regulations, statutes, ordinances, and systems of governance vary from city to city, county to county, and state to state. The authority to put forth referenda or institute exactions must be researched for validity within the Lisle Park District and the State of Illinois, as this list is comprised of the financial practices from across the nation and all types of Park and Recreation agencies. Some referenda are passed by simple majority of those who vote, while others require a larger percentage to pass. In certain circumstances, referenda are passed by the majority of eligible voters versus just those who vote.*

Loan Mechanisms

Currently being used, or could easily be used

General Obligation Bonds

Bonded indebtedness issued with the approval of the electorate for capital improvements and general public improvements.

Revenue Bonds

Bonds used for capital projects that will generate revenue for debt service where fees can be set aside to support repayment of the bond. These are typically issued for water, sewer or drainage charges, and other enterprise type activities.

Service Delivery and Funding Structures

Currently being used, or could easily be used

Inter-local Agreements

Contractual relationships could be established between two or more local units of government and/or between a local unit of government and a non-profit organization for the joint usage/development of sports fields, regional parks, or other facilities.

Would consider

Annual Appropriation/Leasehold Financing

This is a more complex financing structure that requires use of a third party to act as an issuer of the bonds who would construct the facility and retain title until the bonds are retired. For example, an agency can enter into a lease agreement with the third party with annual lease payments equal to the debt service requirements. The bonds issued by the third party are considered less secure than general obligation bonds of Lisle Park District and are therefore more costly. Since a separate corporation issues these bonds, they do not impact Lisle Park District's debt limitations and do not require a vote. However, they also do not entitle Lisle Park District to levy property taxes to service the debt. The annual lease payments must be appropriated from existing revenues.

Privatization – Outsourcing the Management

Typically used for food and beverage management, golf course operations, ball field, or sports complex operations by negotiated or bid contract.

Could consider; may meet with some resistance and be more difficult to implement

Commercial Property Endowment Model – Operating Foundation

John L. Crompton¹ discusses government using the Commercial Property Endowment Model citing two case studies in the United Kingdom and Mission Bay Park in San Diego, California as an alternative structure to deliver park and recreation services. A non-profit organization may be established and given park infrastructure and/or land assets to manage as public park and recreation services along with commercial properties as income-earning assets or commercial lease fees to provide for a sustainable funding source. This kind of social enterprise is charged with operating, maintaining, renovating, and enhancing the public park system and is not unlike a model to subsidize low-income housing with mixed-use developments.

Partnership Opportunities

Lisle Park District is currently utilizing partnerships that are defined as joint development funding sources or operational funding sources between two separate agencies, such as two government entities, a non-profit and a government agency, or a private business and a government agency. Two partners jointly develop revenue producing park and recreation facilities and share risk, operational costs, responsibilities, and asset management based on the strengths and weaknesses of each partner.

¹ Spring 2010 *Journal of Park and Recreation Administration*, Volume 28, Number 1, pp 103-111

Lisle Park District can create synergy based on expanding program offerings and collaborative efforts that can be beneficial to all providers as interest grows and people gravitate to the type of facility and programs that best suit their recreational needs and schedules. Potential strategic alliance partnerships where missions run parallel, and mutually beneficial relationships can be fostered and may include the following:

- YMCA
- School Districts
- Medical Centers or Hospitals
- Boys and Girls Club
- Kiwanis, Optimists, VFWs, Elks, Rotary, and other service and civic organizations
- Chamber of Commerce
- Convention and Visitor's Bureau
- Homeowner or Neighborhood Associations
- Youth Sports Associations
- Neighboring counties/communities
- Private alternative providers
- Churches

Community Resources

The following subsections summarize research findings on potential funding sources that could enhance capital expenditures for capital repair, renovation, and new construction and operating budgets for the Lisle Park District. These findings do not recommend any particular funding strategy over another. The economic conditions within the service area may vary with time, and Lisle Park District should explore the best means of achieving its goals toward the operations of the agency, the programs, and the facilities on an ongoing basis.

Philanthropic

Philanthropy can be defined as the concept of voluntary giving by an individual or group to promote the common good and to improve the quality of life. Philanthropy generally takes the form of donor programs, capital campaigns, and volunteers/in-kind services.

The time commitment to initiate a philanthropic campaign can be significant. If Lisle Park District decides to implement a capital fundraising campaign and current resources that could be dedicated to such a venture are limited, it may be recommended that Lisle Park District outsource some or most of this task to a non-profit or private agency experienced in managing community-based capital fundraising campaigns. Capital campaigns should be limited to large-scale capital projects that are desired by the community but for which dedicated funding is not readily available.

Currently being used, or could easily be used

Friends Associations

These groups are typically formed to raise money for a single purpose that could include a park facility or program that will benefit a particular special interest population or the community as a whole.

Volunteers/In-Kind Services

This revenue source is an indirect source in that persons donate time to assist an agency in providing a product or service on an hourly basis. This reduces cost in providing the service, plus it builds advocacy for the system. To manage a volunteer program, an agency typically dedicates a staff member to oversee the program for the entire agency.

Foundation/Gifts

These dollars are received from tax-exempt, non-profit organization. The funds are private donations in promotion of specific causes, activities, or issues. They offer a variety of means to fund capital projects, including capital campaigns, gifts catalogs, fundraisers, endowments, etc.

Would consider

Adopt-a-Park/Adopt-a-Trail

Programs such as adopt-a-park may be created with and supported by the residents, businesses, and/or organizations located in the park's vicinity. These programs allow volunteers to actively assist in improving and maintaining parks, related facilities, and the community in which they live.

Neighborhood Park Watch

As a way to reduce costs associated with vandalism and other crimes against property, Lisle Park District may consider a neighborhood park watch program. This program develops community ownership of Lisle Park District's facilities.

Gift Catalogs

Gift catalogs provide organizations the opportunity to let the community know what their needs are on a yearly basis. The community purchases items from the gift catalog and donates them to Lisle Park District.

Gifts in Perpetuity

Would consider

Irrevocable Remainder Trusts

These trusts are set up with individuals who typically have more than a million dollars in wealth. They will leave a portion of their wealth to Lisle Park District in a trust fund that allows the fund to grow over a period of time and then is available to use a portion of the interest to support specific park and recreation facilities or programs that are designated by the trustee.

Life Estates

This revenue source is available when someone wants to leave their property to Lisle Park District in exchange for their continued residence on the property until their death. Lisle Park District can usually use a portion of the property for park and recreational purposes, and then use all of it after the person's death. This revenue source is very popular for individuals who have a lot of wealth and their estate will be highly taxed at their death. Their benefactors will have to sell their property because of probate costs. Life Estates allow individuals to receive a good yearly tax deduction on their property while leaving property for the community. Agencies benefit because they do not have to pay for the land.

Could consider; may meet with some resistance and be more difficult to implement

Maintenance Endowments

Maintenance Endowments are set up for organizations and individuals to invest in ongoing maintenance improvements and infrastructure needs of specific/targeted facilities. Endowments retain money from user fees, individual gifts, impact fees, development rights, partnerships, conservation easements, and for wetland mitigations.

Grants

Grants often supplement or match funds that have already been received. For example, grants can be used for program purposes, information technology infrastructure, planning, design, seed money, and construction. Due to their infrequent nature, grants are often used to fund a specific venture and should not be viewed as a continuous source of funding.

Currently being used, or could easily be used

Facilities and Equipment Grants

These grants help buy long-lasting physical assets, such as a building. The applicant organization must make the case that the new acquisition will help better serve its clients. Fund providers considering these requests will not only be interested in the applicant's current activities and financial health, but they will also inquire as to the financial and program plans for the next several years. Fund providers do not want allocate resources to an organization or program only to see it shut down in a few years because of poor management.

Matching Grants

Many grant makers will provide funding only on the condition that an amount equal to the size of the grant can be raised from other sources. This type of grant is another means by which foundations can determine the viability of an organization or program.

Private Grant and Philanthropic Agencies

Many resources are available which provide information on private grant and philanthropic agency opportunities. A thorough investigation and research on available grants is necessary to ensure mutually compatible interests and to confirm the current status of available funding. Examples of publicly accessible resources are summarized below.

- Information on current and archived Federal Register Grant Announcements can be accessed from The Grantsmanship Center (TGCI) on the Internet at: <http://www.tgci.com>.
- For information on government product news and procurement visit GovPro at www.govpro.com.
- Another resource is the Foundation Center's RFP Bulletin Grants Page on Health at: www.fdncenter.org.
- Research www.eCivis.com for a contract provider of a web-based Grants Locator system for government and foundation grants specifically designed for local government.

Would consider

General Purpose or Operating Grants

When a grant maker gives an operating grant, it can be used to support the general expenses of operating. An operating grant means the fund provider supports the overall mission and trusts that the money will be put to good use. Operating grants are typically much harder to procure than program or support grants.

Program or Support Grants

A program or support grant is given to support a specific or connected set of activities that typically have a beginning and an end, specific objectives, and predetermined costs. Listed below are some of the most common types of program or support grants:

Planning Grants

When planning a major new program, Lisle Park District may need to spend a good deal of time and money conducting research. A planning grant supports this initial project development work, which may include investigating the needs of constituents, consulting with experts in the field, or conducting research and planning activities.

Seed Money or Start-up Grants

These grants help a new organization or program in its first few years. The idea is to give the new effort a strong push forward, so it can devote its energy early on to setting up programs without worrying constantly about raising money. Such grants are often for more than one year, and frequently decrease in amount each year.

Management or Technical Assistance Grants

Unlike most project grants, a technical assistance grant does not directly support the mission-related activities of Lisle Park District. Instead, they support management or administration and the associated fundraising, marketing, and financial management needs.

Could consider; may meet with some resistance and be more difficult to implement

Program-Related Investments (PRIs)

In addition to grants, the Internal Revenue Service allows foundations to make loans—called Program-Related Investments (PRIs)—to nonprofits. PRIs must be for projects that would be eligible for grant support. They are usually made at low or zero interest. PRIs must be paid back to the grant maker. PRIs are often made to organizations involved in building projects.

Sponsorships and Fundraising

Currently being used, or could easily be used

Corporate Sponsorships

Lisle Park District can solicit this revenue-funding source itself or work with agencies that pursue and use this type of funding. Sponsorships are often used for programs and events where there are greater opportunities for sponsor recognition (greater value to the sponsor).

Advertising Sales

Advertising sales are a viable opportunity for revenue through the sale of tasteful and appropriate advertising on items such as program guides, scoreboards, dasher boards, and other visible products or services. This could be a viable strategy in the future if appropriate opportunities present themselves, such as the acquisition of scoreboards, etc. Current sign codes should be reviewed for conflicts or appropriate revisions.

Fundraising

Many park and recreation agencies have special fundraisers on an annual basis to help cover specific programs and capital projects. This can include selling bricks, benches, pavers, tiles, and commemorative tree plantings, etc.

Raffling

Some agencies offer annual community raffles, such as purchasing an antique car that can be raffled off in contests.

Would consider

Naming Rights

Many agencies throughout the country have successfully sold the naming rights for newly constructed facilities or when renovating existing buildings. Additionally, newly developed and renovated parks have been successfully funded through the sale of naming rights. Generally, the cost for naming rights offsets the development costs associated with the improvement. People incorrectly assume that selling the naming rights for facilities is reserved for professional stadiums and other high profile team sport venues. This trend has expanded in recent years to include public recreation centers and facilities as viable naming rights sales opportunities.

Naming rights can be a one-time payment or amortized with a fixed payment schedule over a defined period of time. During this time, the sponsor retains the “rights” to have the park, facility, or amenity named for them. Also during this time, all publications, advertisements, events, and activities could have the sponsoring group’s name as the venue. Naming rights negotiations need to be developed by legal professionals to ensure that the contractual obligation is equitable to all agents and provides remedies to change or cancel the arrangements at any time during the agreement period.

Community Service Fees and Assessments

Currently being used, or could easily be used

Residency Cards

Non-residents may purchase “residency” on an annual basis for the privilege of receiving the resident discounts on fees, charges, tours, shows, reservations, and other benefits typically afforded to residents only. The resident cards can range in price, but are often at least equivalent to what a resident pays in taxes annually to support operations, maintenance, and debt service.

Security and Clean-Up Fees

Lisle Park District may charge groups and individuals security and clean-up fees for special events other type of events held at facilities.

Signage Fees

This revenue source charges people and businesses with signage fees at key locations with high visibility for short-term events. Signage fees may range in price from \$25-\$100 per sign based on the size of the sign and location.

Equipment Rental

This revenue source is generated from the rental of equipment such as tables and chairs tents, stages, bicycles, roller blades, boogie boards, etc. that are used for recreation purposes.

Flexible Fee Strategies

This pricing strategy would allow Lisle Park District to maximize revenues during peak times and premium sites/areas with higher fees and to fill in excess capacity during low use times with lower fees to maximize play.

Processing/Convenience Fees

This is a surcharge or premium placed on electronic transfers of funds, automatic payments, or other conveniences.

Would consider

Recreation Service Fee

The Recreation Service Fee is a dedicated user fee that can be established by a local ordinance or other government procedure for the purpose of constructing and maintaining recreation facilities. The fee can apply to all organized activities that require a reservation of some type, or other purposes as defined by Lisle Park District. Examples of such generally accepted activities that are assigned a service fee include adult basketball, volleyball, and softball leagues; youth baseball, soccer, and softball leagues; and special interest classes. The fee, above and beyond the user fee, allows participants to contribute toward the construction and/or maintenance of the facilities being used.

Capital Improvement Fees

These fees are on top of the set user rate for accessing facilities such as sport and tournament venues and are used to support capital improvements that benefit the user of the facility.

Lighting Fees

Some agencies charge additional fees for lighting as it applies to leagues, special use sites, and special facilities that allow play after daylight hours. This fee may include utility demand charges.

Parking Fee

This fee applies to parking at selected destination facilities such as sports complexes, stadiums, and other attractions to help offset capital and operational cost.

Development Surcharge/Fee

Some agencies have added a surcharge on every transaction, admission, or registration to generate an improvement or development fund.

Could consider; may meet with some resistance and be more difficult to implement

Dog Park Fees

These fees are attached to kennel clubs who pay for the rights to have dog park facilities for their own exclusive use. Fees are on the dogs themselves and/or on the people who take care of other people's dogs.

Utility Roundup Programs

Some park and recreation agencies have worked with local utilities on a round up program whereby a consumer can pay the difference between their bill and the next highest even dollar amount as a donation to the agency. Ideally, these monies would be used to support utility improvements such as sports lighting, irrigation cost, and HVAC costs.

Franchise Fee on Cable

This would allow Lisle Park District to add a franchise fee on cable designated for parks and recreation. The normal fee is \$1.00 a month or \$12.00 a year per household. Fees usually go toward land acquisition or capital improvements.

Room Overrides on Hotels for Sports Tournaments and Special Events

Agencies have begun to keep a percentage of hotel rooms reservation fees that are booked when the agency hosts a major sports tournament or special event. The overrides are usually \$5.00 to \$10.00 depending on the type of room. Monies collected would help offset operational costs for hosting the events.

Real Estate Transfer – Tax/Assessment/Fee

As agencies expand, the need for infrastructure improvements continues to grow. Since parks and recreation facilities add value to neighborhoods and communities, some agencies have turned to real estate transfer tax/assessment/fee to help pay for acquisition and needed renovations. Usually transfer tax/assessment/fee amount is a percentage on the total sale of the property and is assessed each time the property transfers to a new owner. Some states have laws prohibiting or restricting the institution, increase, or application of this tax/assessment/fee.

Self-Insurance Surcharge

Some agencies have added a surcharge on every transaction, admission, or registration to generate a self-insured liability fund.

Contractual Services

Currently being used, or could easily be used

Private Concessionaires

Contracts with private sector concessionaires provide resources to operate desirable recreational activities. These services are typically financed, constructed, and operated by a private business or a non-profit organization with additional compensation paid to Lisle Park District.

Merchandising Sales or Services

This revenue source comes from the public or private sector on resale items from gift shops, pro-shops, restaurants, concessions, and coffee shops for either all of the sales or a defined percentage of the gross sales. Typically, agencies engage in this type of service as a convenience to their patrons and as a means of enhancing overall operational cost recovery.

Would consider

Concession Management

Concession management is the retail sale or rental of soft goods, hard goods, or consumable items. Lisle Park District has previously contracted concession stand services in the past, but is taking this back over in summer 2014 at select facilities. Through contracting, the agency either receives a percentage of the gross sales or the net revenue dollars from the revenue above direct expenses. Net proceeds are generally more difficult to monitor.

Cell Towers

Cell towers sited in strategic park locations are another potential source of revenue that Lisle Park District may consider. Typically, agencies engage in this service as a means of enhancing overall operational cost recovery.

Permits, Licensing Rights, and Use of Collateral Assets

Currently being used, or could easily be used

Special Use Permits

Special permits allow individuals to use specific park property for financial gain. The agency receives either a set amount of money or a percentage of the gross service provided.

Surplus Sale of Equipment by Auction

Agencies often have annual surplus auctions to get rid of old and used equipment, generating additional income on a yearly basis.

Booth Lease Space

Some agencies sell booth space to sidewalk vendors in parks or at special events for a flat rate or based on volume of product sold. The booth space can also be used for sporting events and tournaments.

Would consider

Catering Permits and Services

This is a license to allow caterers to work in the system on a permit basis with a set fee or percentage of food sales returning to Lisle Park District. Also, many agencies have their own catering service or an authorized provider list and receive a percentage of dollars from the sale of food.

Licensing Rights

This revenue source allows Lisle Park District to license its name on all resale items that private or public vendors use when they sell clothing or other items with Lisle Park District's name on it. The normal licensing fee is 6 to 10 percent of the cost of the resale item.

Private Developers

Developers may lease land through a subordinate lease that pays out a set dollar amount plus a percentage of gross dollars for recreation enhancements. These could include sports complexes and recreation centers.

Land Swaps

Lisle Park District may trade property to improve access or protection of resources. This could include a property gain by Lisle Park District for non-payment of taxes or a situation where a developer needs a larger or smaller space to improve its profitability. Lisle Park District would typically gain more property for more recreation opportunities in exchange for the land swap.

Manufacturing Product Testing and Display

Lisle Park District may work with specific manufacturers to test their products in a park, recreation facility, or in a program or service. Lisle Park District may test the product under normal conditions and report the results back to the manufacturer. Examples include lighting, playground equipment, tires on vehicles, mowers, irrigation systems, seed & fertilizers, etc. Lisle Park District may receive the product for free but must pay for the costs of installation and for tracking results.

Recycling Centers

Some agencies and counties operate recycling centers for wood, mulch, and glass as revenue generators for their systems.

Film Rights

Many agencies issue permits so that park sites may be used for commercial film and photography activities. The production company pays a daily fee for the site plus the loss of revenue Lisle Park District would incur during use of the community space.

Rentals of Houses and Buildings by Private Citizens

Many agencies will rent out facilities such as homes to individual citizens for revenue purposes.

Could consider; may meet with some resistance and be more difficult to implement

Sale of Development Rights

Some agencies sell their development rights below park ground or along trails to utility companies. Lisle Park District would receive a yearly fee on a linear foot basis. This type of activity would be dependent on grant restrictions on property purchased with grant funding.

Leasebacks on Recreational Facilities

Many agencies do not have adequate capital dollars to build desired revenue-producing facilities. One option is to hire a private investor to build the facility according to the specifications requested with the investment company financing the project. Lisle Park District would then lease the property back from the investor over 20+ years. This can be reversed whereby District builds the facility and leases to a private management company who then operates the property for a percentage of gross dollars to pay off the construction loans through a subordinate lease.

Subordinate Easements – Recreation/Natural Area Easements

This revenue source is available when Lisle Park District allows utility companies, businesses, or individuals to develop some type of an improvement above ground or below ground on its property. Subordinate easements are typically arranged over a set period of time, with a set dollar amount that is allocated to Lisle Park District on an annual basis.

Sale of Mineral Rights

Many agencies sell mineral rights under parks, including water, oil, natural gas, and other by products, for revenue purposes.

Enterprise Funds

The Lisle Park District has established their golf course as a business unit that is self-sustaining through fees and charges. Debt service and all indirect costs is allocated or attributed to this golf enterprise fund. Any excess revenue generated is maintained by the fund for future needs and cannot be used by another fund or department.

Funding Resources and Other Options

Many federal and state taxation resources, programs, and grants are used by Lisle Park District or may be available.

Currently being used, or could easily be used

Positive Cash Flow

Depending on how aggressively Lisle Park District incorporates marketing and management strategies; there may be a positive fund balance at the end of each year. While current facilities, projections, and fee policies do not anticipate a positive cash flow, the climate can change. The ending positive balance could be used, for example, to establish a maintenance endowment for Lisle Park District recreation facilities, to set aside funds for capital replacement and/or repair, or to generate a fund balance for contingency or new programming opportunities.

Would consider

Land Trusts

Many agencies have developed land trusts to help secure and fund the cost of acquiring land that needs to be preserved and protected for greenway purposes. This may also be a good source for the acquisition of future lands.

Cost Saving Measures

In addition to aligning cost recovery with goals, charging appropriate fees, and using traditional and alternative funding mechanisms, several cost saving measures can improve the overall cost recovery picture for Lisle Park District.

Currently being used, or could easily be used

Cost Saving Ideas

Explore and implement the following cost savings ideas:

- Bulk purchasing
- Re-negotiating contracts
- Changing maintenance standards and practices
- Employing green practices

Would consider

Change Maintenance Standards/Practices

- Lisle Park District could add one extra day onto the mowing interval; thus reducing the amount of mowing in a season.

Could consider; may meet with some resistance and be more difficult to implement

Greening Trends – Rooftop Gardens and Park Structures

Rooftop gardens (both public and private) create respites in a densely built environment and help reduce the urban heat island effects. In addition, the lack of availability and affordability of urban real estate has continued the trend of parks built over structures such as parking garages (e.g., Millennium Park and Soldier Field Stadium/Burnham Park re-design in Chicago) and other structures (such as Freeway Park in Seattle, built in the 1970s).

Green Practices

The Lisle Park District could implement (some may already be implemented) the following green practices ideas:

- Use light, water, and motion sensors
- Conduct energy audits
- Update to energy efficient ballasts, motors, appliances
- Use electric and hybrid vehicles
- Develop “Pack It Out” trash program
- Use greywater
- Use solar and wind energy
- Implement green operating practices

Many agencies miss the easiest green practices in their everyday operating procedures and policies. These include administrative procedures, best operating standards, and sustainable stewardship performance measures. Many of the industry best practices outlined below (**Table 2**) may be currently and successfully employed by Lisle Park District.

Table 2: Green Practices Focus Area and Action Step

Focus Area	Action Step
Administrative	Recycle Office Trash
	Go Paperless
	Conserve Resources
	Flex Scheduling
	Virtual Meetings
Operating Standards	Preventative Maintenance
	Reduce Driving
	Eliminate Environmentally Negative Chemicals and Materials
	Green Purchasing Policies
	LEED® Design
Sustainable Stewardship	Re-analyze and Revised Practices and Standards
	Monitor and Report Results
	Lead by Example
	Incorporate Principles in all Park and Recreation Services
	Seek Available Grant Funding and Initiative Awards