

The background features abstract, overlapping green geometric shapes in various shades, including light lime green, medium green, and dark forest green. These shapes are primarily located on the left and right sides of the page, framing the central white area where the text is placed.

Pricing Philosophy & Cost Recovery Policy

City of Fircrest Parks and Recreation Department

Subsidy and Cost Recovery Sample



Distinctions

- ▶ Cost Recovery Philosophy (What the City believes)
- ▶ Cost Recovery Policy (Written articulation of what agency believes)
- ▶ Prices and Costing – ABC's (What are real costs of program, direct and indirect)

Benefits of Having Fees and Charges

- ▶ Creates value for the services and facilities.
- ▶ Allows rationing of high demand services and facilities.
- ▶ Reserves funding for other necessary programs and services.

Benefits of Having Consensus on a Cost Recovery Philosophy

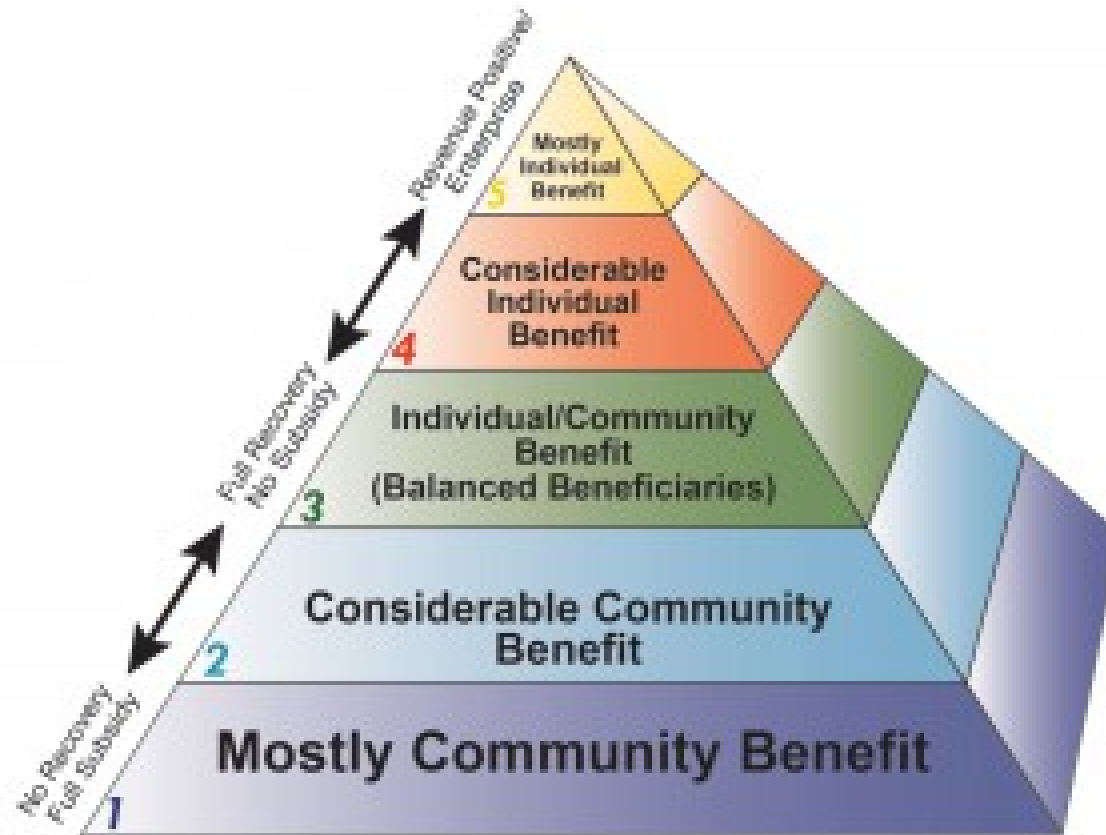
- ▶ Determines a fair, equitable, and simple pricing structure that is based on your agency's mission and helps you meet your revenue goals.

Benefits of Having a Cost Recovery Policy

- ▶ Serves as an implementation guide.
- ▶ Provides a more effective coordination tool, as you grow, you have more programs and more employees creating and pricing those programs.
- ▶ Establishes council “buy-in” for revenue goals and pricing.
- ▶ Keeps policies from straying or having unintended consequences.

Philosophy and Policy

The Pyramid Methodology



The Levels

The Foundational Level



The foundational level of the Pyramid is the largest, and encompasses those services including programs and facilities that **MOSTLY** benefit the **COMMUNITY** as a whole. These services may increase property values and public 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 for 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.

The Levels

Considerable Community Benefit



The second level of the Pyramid represents services that 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 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.

The Levels

The Balanced Individual/Community Level



The third level of the Pyramid represents services promoting individual physical and mental well-being, and provides 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 program and classes, teen programs, etc.

The Levels

Considerable Individual Benefit



The fourth level of the pyramid represents specialized services generally for specific groups, and those that 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.

The Levels

Mostly Individual Benefit



At the top of the Pyramid, the fifth level represents services that have potential to generate revenues above costs, 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 costs 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.

Examples of Programs With Levels

- ▶ **INDIVIDUAL:** Elite Swim/Dive Team
- ▶ **HIGHLY INDIVIDUAL:** Swim Team
- ▶ **INDIVIDUAL/Community:** Swimming Lessons
- ▶ **COMMUNITY/Individual:** Pool
- ▶ **COMMUNITY:** Spray Ground, Non-Monitored Lake

The Filters

- ▶ Who benefits?
- ▶ What is the commitment or intensity of the program?
- ▶ Is it a “time-honored” or trendy program?
- ▶ Is it our “obligation” to provide it?

Sort Our Programs & Services

- ▶ Fun exercise to sort the current programs that are offered through the City of Fircrest, to see how this works in the real world.

Pricing Philosophy Pyramid

Definitions and Filters

This matrix is designed to assist in determining where a program, service, or facility belongs on the Pricing Philosophy Pyramid. The filters are not intended to be the only test, but are a few possible ways of viewing what is offered.

Benefit: Who receives the benefit of the service?

Commitment: What is the intensity of the program?

Trends: Is it tried and true or a fad?

Obligation: Is it our role to provide?

Pyramid Levels	FILTERS					
	Benefit	Commitment	Trends	Obligation	Add your Own	% of Cost Recovery
Level 5	Mostly benefits individuals	Specialized	Far out	Highly Questionable		
Level 4	Highly benefits individual	Competitive, not recreational	Cool/cutting edge	Could do		
Level 3	More individual/less community benefit	Instructional, intermediate	Staying current with trends	Should do		
Level 2	Some community, some individual benefit	Instructional, basic	Traditionally expected	Traditionally expected to do		
Level 1	Benefits community as a whole	Drop-in opportunities	Basic	Must Do		

To Begin:

- ▶ City Staff have broken down city programs into services area to create the Department's **Categories of Services**. These are not set, but give a guideline to help with this process. The goal is to break these categories into Levels and to come to a consensus amongst the Council. The effort must reflect the community and align with the mission of the Department.
- ▶ We will not be looking at specific program areas, as we want to look at the higher level of services. If we need to change certain program areas down the line, we will circle back then.
- ▶ Please look at the attached Sorting Services document and start to think about which level each service would go under. Please write in each one under a level. Once that is done, put your applicable sticky note on the appropriate level. Once this exercise is done, we will look to see where everyone has put theirs and if any discussion needs to be had over certain services. (This will be revisited in another meeting again).