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TO: Members of City Council
Members of Parks and Recreation Commission

FROM: Karen Murphy, Public Services Director

SUBJECT: Recreation Fee Philosophy Meeting

The joint meeting of the Midland City Council and the Midland Parks and Recreation Commission has been scheduled for Monday, February 23, 2009. The meeting will be held in Conference Room B of Midland City Hall at 333 W. Ellsworth and will begin at 6:00 p.m.

The agenda for the meeting is as follows:

- 1) Affirmation of overall recreation fee philosophy
- 2) Discuss setting fees for the enterprise funds – Civic Arena and Golf Course

Accompanying the agenda is a letter providing background information on our current recreation fee philosophy as it pertains to the various recreation programs offered by the city.



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February 17, 2009

TO: Members of City Council and
Members of Parks and Recreation Commission

FROM: Karen Murphy, Public Services Director

SUBJECT: Joint Meeting of February 23, 2009

Each year, the City Council and Parks and Recreation Commission meet to discuss philosophy for recreation fees as well as other pertinent matters. The joint meeting has been scheduled for February 23, 2009 at 6:00 p.m. in Conference Room B of City Hall. The purpose of this correspondence is to provide background information for that meeting.

General Information

The joint meeting traditionally has been one in which the Commission and Council have set percentage targets to be recovered by fees and have established general philosophy direction such as "adult activities should be less subsidized than youth activities". The staff is then charged with preparing actual fee recommendations based upon the direction established at the joint meeting. The Parks and Recreation Commission then reviews the recommendations, accepts public input and presents their final recommendations to City Council which, in turn, makes the final decision on the fees.

In terms of recreation fees, we have the following areas to consider: competitive sports, swimming, general recreation, and our two Enterprise Funds, the Civic Arena and Currie golf course. This report will provide data for each area and pose specific philosophical questions where pertinent.

Competitive Sports

The basic principles of the fees in the area of competitive sport have been to recover all direct costs associated with adult sports, and only program costs associated with youth sports. This means that facility preparation costs are assessed in adult sports while the only costs recovered in youth sports are for officials and supplies. These costs are offset by individual player fees.

Measures have been taken in the recent past to lessen the cost of the maintenance of competitive sports facilities, principally softball fields. The consolidation of facilities such as the new fields

at the Redcoat Complex, has lessened travel time and expense associated with field preparation. Staff will be evaluating the total operating costs associated with the programming and field maintenance required for the city's competitive sports leagues over the course of the upcoming season to determine if any changes in fees are warranted.

Swimming

2008 was the third year for the enhanced Plymouth Pool and the eleventh season for a single outdoor pool. Revenues for 2008 were in line with previous years in that the revenues covered approximately 50% of the operational costs for the pool and associated facility. If we continue with this philosophy of recovering half of our operating expenses, staff does not recommend any changes to fees at this time.

General Recreation

In this category we address general use activities such as cross country ski and toboggan rentals at the City Forest, the deposit on picnic kits and picnic reservation fees at our community parks.

The equipment rental rates have been set at a level which simply covers the cost of replacing the equipment, and the picnic kit deposit is designed to insure return of the equipment. A fee for the picnic reservation program, allowing citizens to reserve picnic shelters in our community parks, was instituted in 2005. The picnic shelter fees have been increased slightly since 2005 as operational costs to maintain the shelters have increased.

Enterprise Funds – Civic Arena and Currie Golf Course

Traditionally, the Parks and Recreation Department has addressed the fee structure of recreation programs by receiving direction from the Parks and Recreation Commission and the City Council at the beginning of the preparation of the City budget. Consequently, the recreation fees are established prior to finalizing the City Manager's recommended budget, which causes any shortfall in revenue to be made up from either expenditure cuts in other areas of the General Fund further into the budget preparation process or a corresponding revenue increase in the form of an increase in taxable value or the millage rate. Despite the fact that the Golf Course Fund and the Civic Arena Fund are Enterprise Funds, they have been treated in the same manner as the General Fund recreation programs not only in how they have been operated, but also in establishing the revenue structure.

In contrast, other Enterprise Funds operate as a business and the revenue structure is established as an integral function and outcome of preparing their respective budgets. After determining the fixed and variable costs for each Enterprise Fund, the revenues are reviewed to determine if any rate increase is necessary to maintain the financial health of the fund since their sole sources of revenue are the rates charged to their customers. In some cases, no rate adjustment is necessary. Any recommended rate adjustment is made as a component of the City Manager's recommended

budget. The final determination of the rate is made by the City Council through an amendment to the appropriate ordinance. Since an ordinance requires two readings prior to adoption, there are two opportunities for public input on the proposed rate adjustment.

Last year the Parks and Recreation Commission and the City Council received a report on the Currie Municipal Golf Course recommending a change in philosophy from operating as a public recreation program to operating as a business. Since then, the City Administration has implemented business strategies in both the Golf Course Fund and the Civic Arena Fund in response to financial deficits in both funds. Both now have professional managers providing direct supervision and oversight of the operations and the financial health of the respective funds. Similar to the other Enterprise Funds, these operations have significant fixed costs and variable costs that must be recovered from the fees they charge. Therefore, it is the staff recommendation that future Golf Course fees and Civic Arena fees be established in the same fashion as the other Enterprise Funds through a staff recommendation directly to the City Council for consideration and approval with opportunities for public input through the ordinance amendment process.

I trust that this gives you adequate background for the joint meeting.

Respectfully,



Karen Murphy