

REVENUE AND PRICING POLICY

SECTION 1

INTRODUCTION

I. DEPARTMENT OVERVIEW

The City of Tucson Parks and Recreation Department offers diversified leisure services to its residents. Historically, these services have been financed by appropriation of tax dollars from the City's general fund and from general obligation bonds. Generally speaking, City of Tucson residents have previously paid for their parks, programs and facilities primarily through taxation.

Tucson's growing population has increased demand for new, expanded and even more diversified facilities and services. Costs for land and capital projects have also increased, as have operational expenses. These trends coupled with increased competition for City tax dollars by other departments has resulted in a greater emphasis on generating non-tax revenues. These alternative sources of revenue are becoming more critical for the operation of parks and facilities.

The primary alternative source of funds is fees and charges for services provided by the department. Other alternative funding sources are described in Section 6 – Other Revenue Sources of this policy.

II. PARKS AND RECREATION DEPARTMENT MISSION

To provide a park system offering quality facilities, programs and services for Tucsonans of all ages and abilities.

III. BENEFITS PHILOSOPHY

Funding to achieve the Department mission is allocated in the City of Tucson General Fund budget in recognition of the variety of benefits parks and recreation provides to individuals, the community, the environment and the local economy:

- **Individual** Tucson residents benefit when participating in leisure opportunities. Parks and Recreation provides opportunities for living, learning and leading a full and productive life as well as avenues for purpose, pleasure, health and well being. Examples of these benefits include personal development and growth, improving physical and mental health, developing creativity and adaptability, and improved quality of life.
- Parks and Recreation provides **Community** benefits by creating opportunities to live and interact with families, work groups, neighbors and communities. Examples of these benefits include providing youth positive alternatives for their leisure time; promoting ethnic and cultural understanding and harmony; supporting youth, elderly and disabled populations; and developing strong, vital and involved neighborhoods.
- The **Environment** also benefits through Parks and Recreation providing and preserving parks and open spaces, enhancing the desirability of an area as well as contributing to the safety and health of our residents. Examples of these benefits include preservation of open space, improved air quality, safeguarding plant and animal life, and providing accessible places to enjoy nature.
- Finally, there are many **Economic** benefits derived from having adequate parks and recreation programs and facilities. Examples include increased property values, enhanced community desirability for corporate movement or relocation to the City, catalyst for tourism,

attractiveness for special events or other revenue generators, and healthy individuals create a more productive workforce with reduced health care costs.

IV. POLICY GUIDING PRINCIPLES

This pricing policy is based on fundamental principles that have guided its development:

- Present day economic reality and limited funding make it necessary to recover at least a portion of the costs incurred in the provision of parks and recreation services.
- Development of a policy is a necessary step in creating a comprehensive fee structure for services provided. The policy must be clear, equitable and understandable so that department staff can explain it and customers may make informed choices about utilizing the department as a service provider.
- While all City of Tucson residents pay various taxes to support the General Fund, individual taxpayers may benefit in varying degrees from the services provided. Who benefits from a service, the community in general or the individual/group receiving the service, is a key determinant in pricing services. As service benefits become more individualized, it is appropriate to assign higher levels of cost recovery to those who benefit from the service.
- Provision of service to City of Tucson residents is the Department's primary focus. However, it is recognized that use of services by those residing outside the corporate City limits is extensive. These individuals do not pay the same level of taxes as City residents and thus are consuming services that are supported financially by residents. Fees and charges for non-City residents will be higher than City residents, thereby reducing or eliminating support City residents provide to offer the service.
- Patrons who utilize public recreation facilities for commercial gain will incur fees and charges higher than non-commercial users. This pricing practice assigns the cost of services to those who benefit from the use of City facilities and eliminates taxpayer support. These charges may be comparable to the prevailing private/commercial market rate in order to promote private sector facility use.
- The City recognizes that fees and charges may place a financial burden on economically disadvantaged individuals and families. To ensure the pricing policy is fair and equitable, a Discount Program is a necessary policy element to ensure all City of Tucson residents have the opportunity to participate in a broad range of programs and services, regardless of ability to pay. This program recognizes that everyone should pay an equitable level for participation to engender personal commitment. Non-City residents are not eligible for the Discount Program.
- This policy recognizes there are other intangible benefits from the use of a fair and equitable system of fees and charges. Examples are:
 - a. Paying even a modest fee appears to give the patron a "pride-of-ownership" feeling and a greater sense of appreciation for and commitment to the service or activity.
 - b. Fees and charges tend to reduce the frequency of vandalism and promote a sense of ownership.
 - c. Charging an admission or service fee may have the effect of controlling use.

SECTION 2

POLICY DEFINITIONS

The following definitions are provided to clarify the meaning of terms used within this policy document:

I. TYPES OF FEES AND CHARGES:

Admission Fees: Fees to enter a building or enclosed structure or facility, as in a fee to enter Reid Park Zoo or a swimming pool.

Differential Fees: Those additional fees charged to non-City residents for the use of Department facilities and programs. These fees vary depending upon the program or service.

Enterprise Fees: Fees charged for Enterprise Fund operations. Tucson City Golf is operated as an enterprise.

Formula-based Fees: Fees established using a predetermined formula approved by the Mayor and Council. Cost factors used in the formula may include program staffing, administration, registration, supply and facility costs. Examples include leisure classes, camps, adult sports leagues and special program fees.

License and Permit Fees: Fees to obtain written consent to perform some lawful action, typically after permission has been granted by the Department. Examples include payment to obtain a beer-drinking permit or a vendor permit.

Membership Fees: Charges that entitle individuals to participate in a program for a predetermined duration.

Nominal Fees: A minimal fee intended to recover a portion of the costs associated with a basic service, as in a field light fee for youth athletic leagues.

Non-Profit Organization Fees: Fees available only to non-profit organizations with Internal Revenue Service 501(C)(3) tax-exempt status.

Pass Fees: Charges that entitle individuals to multiple uses of a facility for a predetermined number or duration. Examples include a quarterly center use pass or an annual swimming pool pass.

Rental Fees: Payments made for the privilege of exclusive use of park property of any kind.

Sales Revenues: Revenue obtained from the operation of concessions, restaurants and from the sale of merchandise and other property.

Special Service Fees: Fees for supplying extraordinary articles, commodities, activities or services that may not be considered standard or routine functions of the Department, such as private lessons and staff support required for special events.

User Fees: Fees for use of a facility amenity or participation in a program or activity.

Vendor Permit Fees: Fees for the privilege of selling goods and services on City property.

II. TYPES OF REVENUE

Alternative Revenues: Revenue sources other than operating revenues. These revenues may include but are not limited to gifts, sponsorships, donations and grants.

Contractual Revenues: Revenue from vending contracts, leases and management agreements.

Enterprise Revenues: Revenues derived from Department enterprise operations

Operating Revenues: Revenue derived from Department operations.

III. DEFINITION OF COST CLASSIFICATIONS

Direct Costs: Those costs that can be directly and exclusively attributed or assigned to a specific service.

Enterprise Funds: Used to account for a distinct business activity by the Department that involves no tax subsidy. In enterprise accounting, the full cost of doing business plus debt service, capital improvements, depreciation and contributions to reserve funds are included in financial reports. Tucson City Golf is operated as an enterprise fund.

Full Costs: Both the direct costs and a pro-rata share of the indirect costs that can be attributed to a specific service.

Indirect Costs: Those costs that can be attributed to more than one (1) program or service and are not generally a part of the user's direct experience. These costs may be somewhat constant or "fixed" regardless of the level of program participation or facility usage. Examples would include program administration and supervisory staff salaries, departmental administrative staff salaries and costs for a facility or vehicle used for different programs.

IV. OTHER DEFINITIONS

Cost Recovery: To recover the cost of providing a particular service through fees, charges or some other funding source other than the general fund. The level of cost recovery will vary depending upon the program or service.

Department Co-Sponsored: Services that are organized, promoted, and conducted in part by Department staff and in part by an outside agency, organization or individual(s) and are the negotiated responsibility of both parties as defined by a contract or letter of agreement.

Department Sponsored: Services that are organized, promoted, and conducted by the City of Tucson Parks and Recreation Department.

Department Facilitated: Services that are organized, promoted, and conducted by an outside agency, organization, or individual(s) with limited assistance from Department staff. These services are the responsibility of the outside group. Department involvement includes permission to use a Department facility or promotional assistance. Normally a contract or letter of agreement defines these levels of service.

Director: The Director of Parks and Recreation or his designee.

Service: Any program, class, event, activity, sales or rental opportunity provided by the Department.

Special Facility: Also called a revenue-based facility. These facilities are approved and constructed with the understanding that all or a major portion of the construction and/or operating costs will be recovered through the collection of user fees and charges.

SECTION 3

PRICING POLICY GUIDELINES

I. DECISION TREE PRICING MODEL AND COST RECOVERY

Who benefits from a departmental service is the cornerstone for determining pricing. As services become more individualized, higher levels of cost recovery are assigned to the individual, community or group who benefits from a service. A Decision Tree Pricing Model has been selected to graphically depict this concept. The model, illustrated below, involves assigning services to varying levels based on the benefits each provides to the individual, community or group. As the level of benefit to the individual increases, so does the level of cost recovery for that service.

Four service levels have been defined, with each representing a higher level of individual benefit. Following the illustration, each service level is described along with its associated cost recovery policy. Examples of programs assigned to each service level are provided as a reference.

Parks and Recreation Pricing Policy Decision Matrix

	Service Level 1	Service Level 2	Service Level 3	Service Level 4
Who Benefits	Entire Community	Primarily the Community & also Individual	Primarily the Individual & also the Community	The Individual Only
Type of Service	Public	Public/Private	Public/Private	Private
Appropriate Funding/ Pricing Method	Tax Supported	Partially Tax & Fee Supported	Fee Supported	Market Based Fee Supported
Cost Recovered	None	A Percentage of Direct Operating Costs Recovered	All Direct Costs & Some Overhead Costs Recovered	All Costs Recovered or Market Rate

Service Level 1 - Basic Services, Parks and Facilities

Services include operation and maintenance of parks, open space, trails, greenways, playgrounds, non-reservation amenities and overall department administrative activities. These services primarily serve individuals and small groups through non-reserved, non-consumptive or non-facility-based amenities and recreation activities. They typically are not offered by the private sector.

No cost recovery is associated with these functions. These services are provided to the community with funds derived from general fund tax dollars.

These activities include but are not limited to:

- Parks maintenance
- Playgrounds
- Unsupervised outdoor play courts (basketball, tennis)
- Picnic areas (unreserved)
- Ramadas (unreserved)
- Off leash dog areas
- Bike/Walking paths
- Urban forestry maintenance
- Overall departmental administrative activities

Service Level 2 - Community/Individual Benefit

Services include basic recreation programs, activities and events which utilize parks, recreation facilities and other Department spaces, providing benefits to the entire community or a large group, as well as the individuals served. They are available to all, however, space, time, consumptive use, cost of supplies and other factors may limit or preclude participation. Due to these limitations and especially to "cost of supply" circumstances, these services have been designed to recover a portion of direct and indirect costs. On occasion the private sector, in particular non-profits, may offer some of these services.

Community/Individual Benefit programs and facility uses are expected to recover between 0-50% of direct costs from user fees, sponsorships and grants. Supplemental funding is provided from general fund tax dollars.

These activities include but are not limited to:

- Basic facility use (centers, swimming pools)
- Basic youth recreation programs (KIDCO, Kid Kreations, teen clubs, therapeutic recreation)
- Basic seniors recreation programs

Service Level 3 - Individual Benefit

These services are defined as those activities/processes for which benefits accrue almost entirely to the individual, group or organizational participant/consumer. They may be available to the entire City population or beyond, but substantial limitations on space, time, consumptive use and cost have the effect of restricting use. The private sector may supply these services or they may be provided through public/private partnerships. Due to "cost of supply" factors, these services may be required to recover the full cost of service. Fees are often established based on the appropriate local market demand.

Individual Benefit programs and facility uses are expected to recover a minimum of 50% of direct costs, up to full cost recovery. Limited supplemental funding is provided from general fund tax dollars.

These activities include but are not limited to:

- Reserved park and facility spaces (e.g. ramadas, ballfields, meeting rooms, gymnasiums)
- Leisure classes and higher level instructional activities
- Adult sports leagues
- High level senior programming (Senior Olympics, trips)
- Reid Park Zoo

Service Level 4 - Highly Individual and Enterprise

These services are defined as those activities/processes for which benefits accrue entirely to the individual, group or organizational participant/consumer, including private commercial uses. Fees are based on the full cost of service and in consideration of local market demand.

Fees and charges for these services are expected to recover the full cost of operations. Enterprise services are also expected to recover capital improvement, depreciation, debt service costs and may make a profit.

Examples include but are not limited to:

- Tucson City Golf
- Commercial use of rentable spaces or facilities
- Reid Park Zoo use for birthday parties and educational programs
- Concessions activities
- Advanced level leisure class workshops

SECTION 4

PRICING ADJUSTMENTS

The following adjustments may be considered when determining fees and charges for services.

I. SPECIAL GROUPS:

Family: For these purposes a "family" is defined as the spouse or domestic partner and legal dependents living in the same household. It does not include grandparents, grandchildren, cousins, etc. unless there is a legal guardian relationship, such as a grandparent having custody of a child or similar circumstance.

Non-City Residents: Because many non-City of Tucson residents use department facilities and services and do not pay the same taxes as City residents, differential non-City resident rates will be established. In general, fees and charges for non-City residents shall recover up to 100% of a service's direct cost and an additional 50% for that service's indirect costs. Proof of residency and age may be required at the time of registration.

Non-Profit Organizations: These organizations often utilize department facilities to conduct activities, including fundraising, that supports the non-profit organization's mission. As a way for the City to support these efforts, reduced fees may be established for organizations possessing Internal Revenue Service 501(C)(3) tax-exempt status.

Senior Citizens: Due to the fixed income of many residents sixty-two (62) years of age and over, the department may establish senior adult fees. When offered, discounts will typically be 25% off the adult rate.

Youth: Reduced fees may be established for youth seventeen (17) years of age or younger. When offered, discounts will typically be 50% off the adult rate.

II. PRIME TIME RATES

Fees and charges may be increased during prime times of the day, week, month or year. Prime time pricing is used to:

- Control or limit use during periods of high demand or potential overuse, and

- Encourage use during periods of low demand or under use.

Generally, for other than highly individual and enterprise services, the increases shall not exceed the direct and indirect cost of providing services.

III. PASSES

Passes may be offered for various facilities, amenities within facilities or for other services. Duration of passes may vary, extending up to a maximum of one year. Passes will be offered to provide a higher level of convenience to repeat users, reduce the cost of fee collection and provide discounts to encourage extended use.

IV. DISCOUNT PROGRAM

The Department recognizes that individuals and families may be unable to financially afford fee-based services but still desire the opportunity to experience a broad spectrum of leisure activities. To ensure fee-based leisure opportunities are available to all, a Discount Program will be offered for City of Tucson residents only. Non-City residents are ineligible for the program.

Discounts are available for recreation programs, center use passes, pool passes and all activities and functions identified in Service Levels 1 and 2 in the Decision Tree Pricing Model. Discounts are not available for facility or equipment rental fees, permits, adult sports leagues, daily admission fees and those activities and functions identified in Service Levels 3 and 4 in the Decision Tree Pricing Model. Discounts are also not available for registration fees.

Discounts are based on household income and family size along with federal government income guidelines. A discount of 25% is available for those participants who qualify. The discount amount is deducted from the fee to determine the amount the participant pays.

Full waiver of fees is not permitted under this program. Participants are required to pay at least 75% of the program/service fee. This "minimum investment" is intended to encourage a commitment by the participant to attend the program.

A Departmental Regulation will be established to guide program administration and define income guidelines. The Regulation will be updated annually to reflect revised federal government income levels.

V. WAIVERS

The Director of Parks and Recreation, with the approval of the City Manager, is authorized to waive or discount fees and charges when such action is determined to be in the best interests of the Department or City.

SECTION 5

DETERMINING FEES AND CHARGES

During the annual budget process, fees and charges will be recommended by department staff, reviewed by the Parks and Recreation Commission and submitted to Mayor and Council for review and approval.

The fee determinant process will consider staffing, cost of material and supplies, facility expenses, anticipated participation and market or demographic variables as described in Section 4, Pricing Adjustments.

Fees and charges will be determined through the following process:

1. Determine the direct and indirect costs of providing the service.
2. Determine the appropriate Service Level classification (Section 3) and calculate the fees or charges using the appropriate cost recovery guideline.
3. If warranted, make adjustments to the fee or charge as outlined in Section 4.
4. Identify the market rate or current fee being charged for similar services. This evaluation is conducted to ensure the recommended fees do not significantly vary from the rates being charged by other entities for similar services.
5. Consider inflationary factors for services.
6. Consider any budgetary mandates that may affect the fee/charge setting process.
7. Develop a proposed schedule of fees and charges for review and approval. For ease of handling money, rates will be rounded to the nearest half-dollar for amounts under \$10, and to the nearest dollar for amounts in excess of \$10.

SECTION 6

OTHER REVENUE SOURCES

CONTRACTUAL OR VENDOR PERMIT REVENUES

The department is authorized to issue concessionaire or vendor permits to qualified individuals, groups and businesses. The purpose of these permits is to enhance park visitor enjoyment when using department facilities and to generate revenue for the department. Permits may be issued for the following goods and services:

1. Food and beverages
2. Certain amusement equipment and inflatable apparatus as approved by the City Risk Manager
3. Other goods and services as approved by the Director of Parks and Recreation.

GIFTS AND DONATIONS

A gift or donation to department may be either cash for a specific item, or the item itself. The department will make every effort to honor the wishes of the contributor, however, there may be instances where receipt of the intended donation is not in the best interests of the department. In such cases, the department may decline acceptance. If the contribution does not cover the entire cost, the money will be accumulated toward the purchase of that item. If additional contributions are not made to purchase the item, the donor may either select an alternate gift or have the Parks and Recreation Department determine where the donation may be best used. A Gift Catalog will be maintained to provide potential donors suggestions for needed items along with their associated costs.

GRANTS

Professional staff of the department may investigate the possibilities of securing a grant or outside funding sources for department facilities and programs. All department grant applications must be reviewed and approved by the Director of Parks and Recreation and, in some cases, other City departments. Depending upon the grant amount, formal acceptance by the Mayor and Council may be required as defined by City policy.

LEASES

The department may, with the approval of the Mayor and Council, lease property to private sector or non-profit organizations for the development and provision of parks and recreation facilities. Facilities developed on property leased from the department will be open and available to the public, and may not be exclusive in any manner that discriminates on the basis of race, sex, national origin or physical ability.

MANAGEMENT AGREEMENTS

Management Agreements are negotiated and awarded for the complete operation of a special facility. This type of agreement is instituted when departmental operation(s) of the facility is either cost prohibitive or is not cost-effective; or when the operation(s) require a level of expertise beyond the capabilities of departmental staff. Snack bar and gift shop retail operations at Reid Park Zoo are examples of this form of operation. The department receives a percentage of the gross receipts and/or a minimum monthly rental rate. The length of terms and conditions of renewal may vary.

NON-PROFIT SUPPORT ORGANIZATIONS

The department has been successful in establishing partnerships with non-profit support organizations. The sole purpose of these entities is to provide direct support to the Parks and Recreation Department. These organizations provide individuals and groups desiring to support the Parks and Recreation Department an entity through which tax-deductible contributions can be made. Examples of these partnerships include:

1. Tucson Parks Foundation. Conducts fundraising activities and provides financial support for a variety of department programs, services and facilities.
2. Tucson Zoological Society. This organization is dedicated solely to supporting Reid Park Zoo through fundraising, fundraising and membership activities.
3. Patrons of the Adaptive Recreation Center (PARC). Provides financial support to the Adaptive Recreation Center located in Reid Park through fundraising and volunteer activities.

PERFORMANCE CONTRACTS

Performance contracts involve the provision of special services for the department. Examples may include music or performance services for concerts and special events.

Contracts will be awarded to individuals, groups or businesses offering reputable services that meet the current service goals of the department. When revenues are generated, the City and the contractor shall share gross receipts earned according to the terms of the negotiated contract. Performance contracts are generally no more than one (1) year in length, but may be for longer periods if the cyclical nature of the business, capital demands of the operation, or other factors justify the term length.

SPECIAL REVENUE FUND

A fund established to separately account for dollars designated for a specific purpose.

SPONSORSHIPS

Staff pursues corporate and other sponsorships of events, programs and facilities on an on-going basis. These arrangements may involve the donation of funds, volunteer time, equipment, supplies, services or labor by the corporate sponsor in return for name recognition of that sponsor's contribution and involvement.

The decision of whether or not to enter into a sponsorship agreement shall always depend on the City's philosophy, leisure needs of the community and the best interests of the City. Generally, sponsorships will be solicited through established programs or campaigns. Major individual, non-recurring, or "one-time" sponsorships, such as the title sponsorship for an event or facility, will be reviewed and approved by the Director of Parks and Recreation and, if applicable, forwarded to the Parks and Recreation Commission and/or the Mayor and Council for review/approval.