



Cost Recovery Worksession

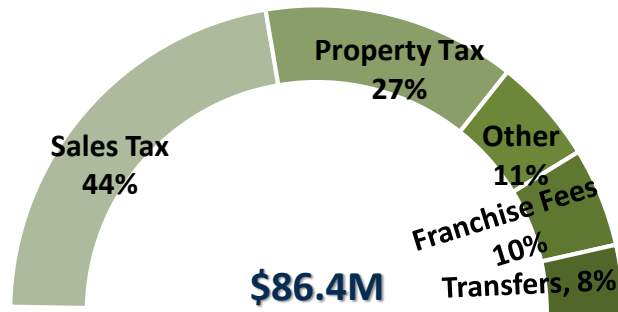
November 6, 2019

City of San Marcos | Finance and Parks & Recreation

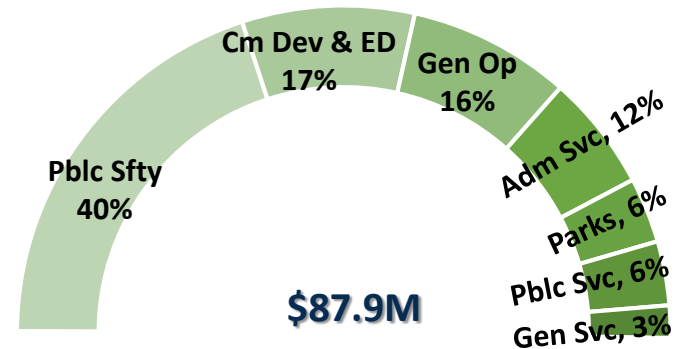
Staff requests Council direction on proposed assumptions in finalizing Cost Recovery implementation for the Parks & Recreation programs and services.

General Fund FY20 Budget

Sources



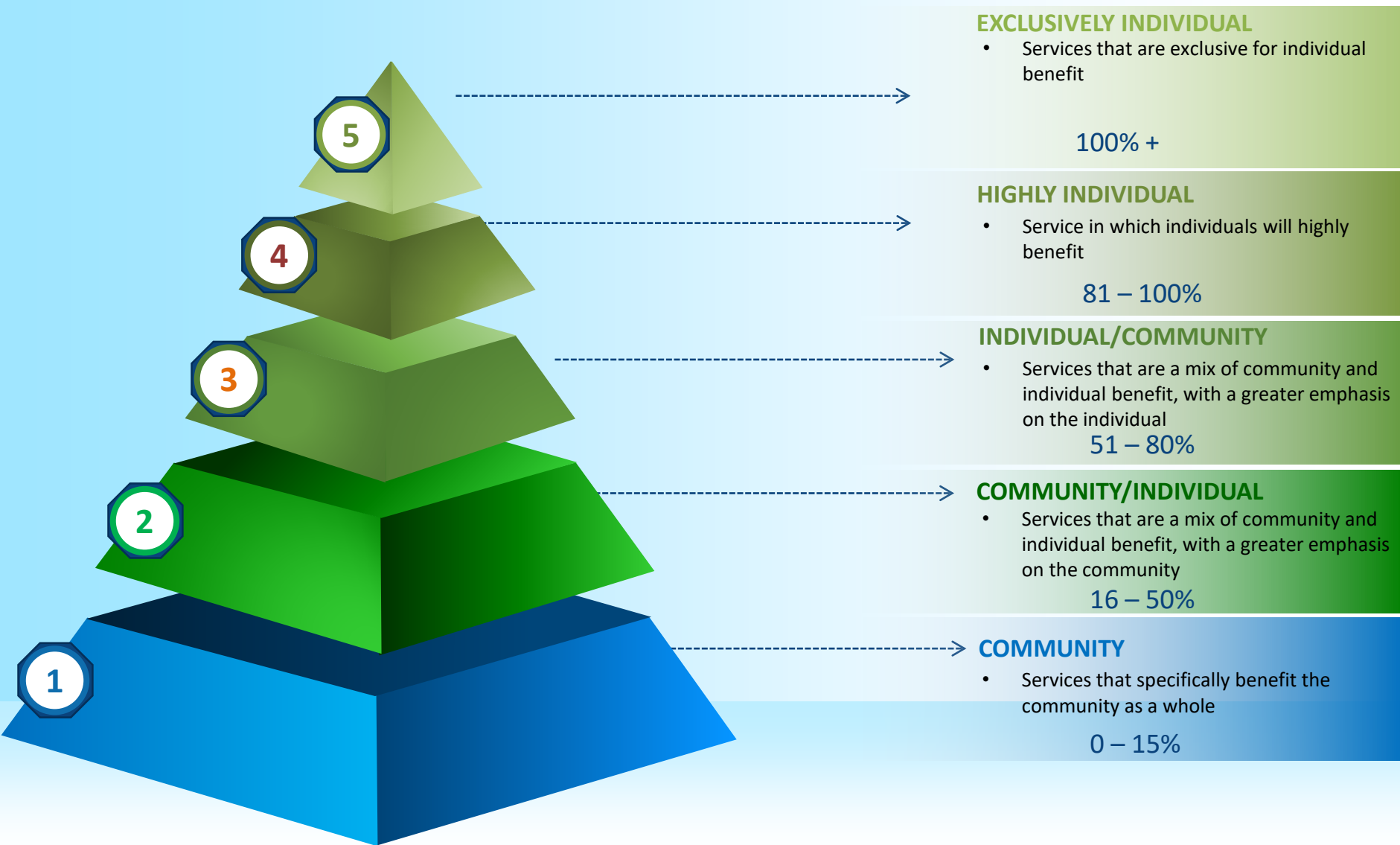
Uses



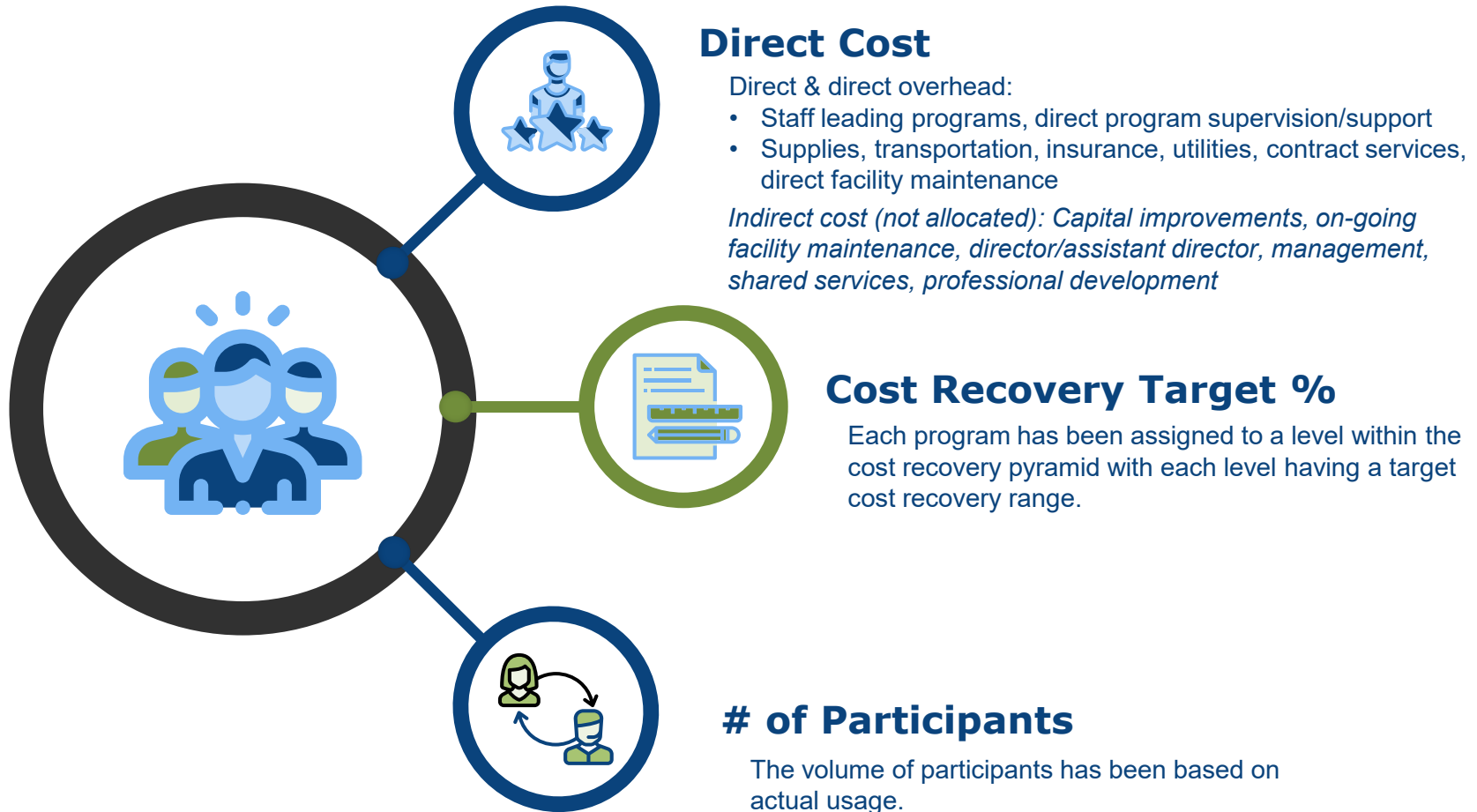
- Parks & Recreation Dept (PARD) operating budget consumes ~ \$5.3M or 6% of the FY20 budget
- PARD Programs generate \$545K in revenue with \$4.8M supported by sales & property tax revenue
- FY21 budget General Fund property tax revenue could potentially face significant constraints due to SB2-property tax cap and pending changes to over 65 property tax

Setting fees based on cost recovery accomplishes the following:

- Diversifies revenue to reduce property tax dependency
- Utilizes tax dollar subsidies on community based programs
- Meets state mandates requiring all user fees be justifiable
- Moves toward self funding programs the community currently enjoys

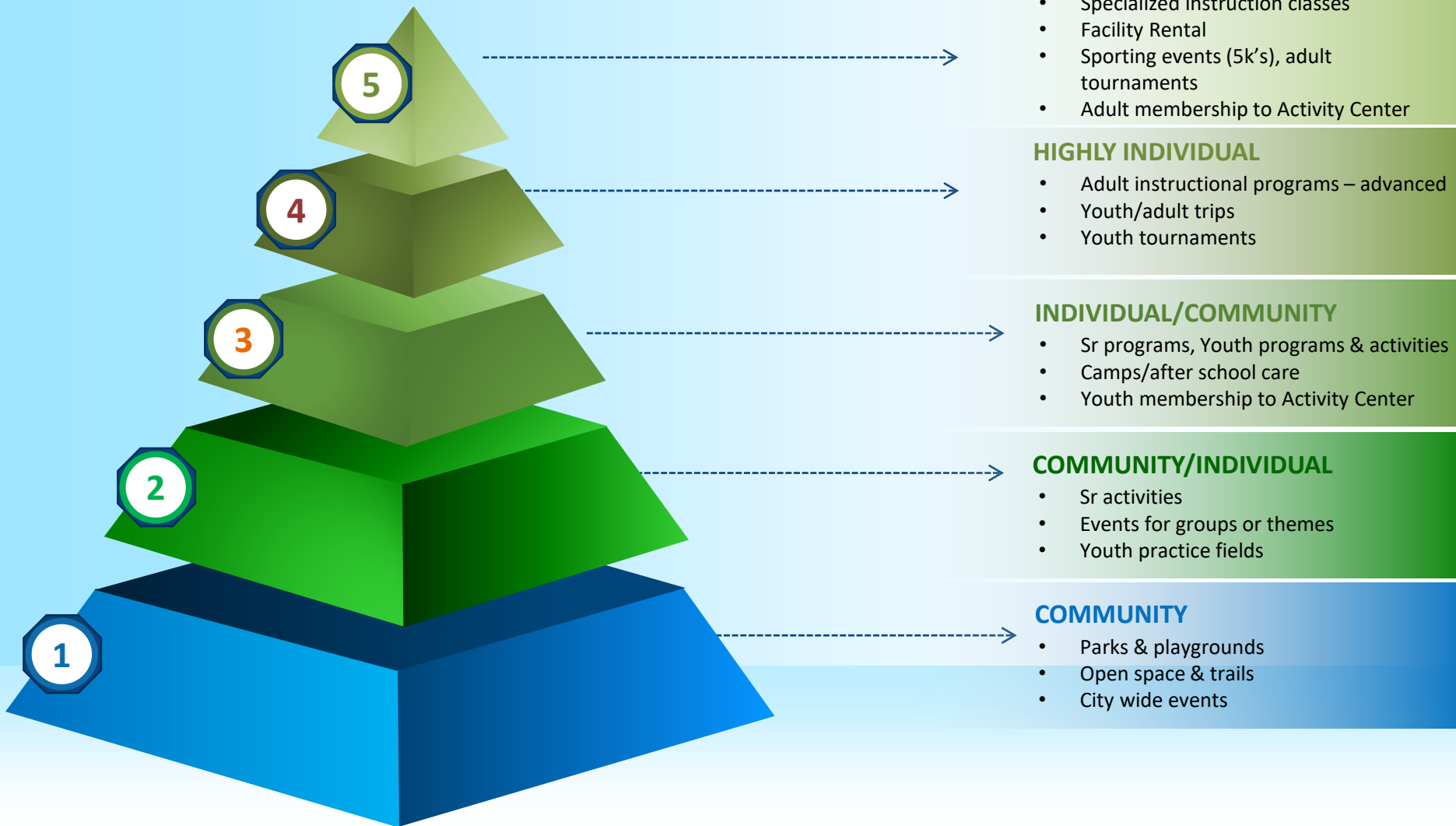


$$(\text{Direct Cost} * \text{Cost Recovery target \%}) / \# \text{ of participants}$$



Pyramid Ranking Based on Beneficiary

Parks & Recreation



Parks & Recreation Cost Recovery

Summary



| | \$ | % |
|--|--------|-------------------------|
| Parks & Recreation FY19 Operating Budget | \$5.3M | |
| Estimated Direct Program Cost | \$2.5M | 49% Operating budget |
| Current Cost Recovery | \$545K | 22% Direct Cost |
| Target Cost Recovery | \$2.0M | 79% Direct Cost |
| Proposed Cost Recovery (year 1) | \$721K | 28% Direct Cost |

Gap between target cost recovery and proposed cost recovery is \$1.3M.

Options to reduce the gap:

- 1) more aggressive fee adjustment (not recommended)
- 2) cost reduction
- 3) new revenue source: non-resident parking zones

Parks & Recreation Cost Recovery

Program Totals



| | Estimated Direct Cost | Current Cost Recovery | Cost Recovery Target | Proposed FY20 Cost Recovery |
|-----------------|-----------------------|-----------------------|----------------------|-----------------------------|
| Activity Center | \$552K | 31% | 84% | 40% |
| Aquatics | \$314K | 18% | 63% | 25% |
| Facility Rental | \$554K | 26% | 101% | 31% |
| Pavilions + | \$81K | 16% | 57% | 16% |
| Athletics | \$1.0M | 16% | 64% | 20% |
| TOTAL | \$2.5M | 22% | 79% | 28% |

Assumptions



Programs unable to achieve target cost recovery over a three year period were capped at the following fee adjustments:

| | |
|-------------|-------------------------------|
| Tiers 4 & 5 | Average of 25% fee adjustment |
| Tiers 1 - 3 | Average 20% fee adjustment |

Programs able to meet target cost recovery at the end of the initial three year period were adjusted equally each year to reach target.

Operating Budgets Compared to other Cities



| | PARD Operating Cost | PARD Revenue | Recovery % |
|---------------|---------------------------|-----------------|------------|
| San Marcos | \$5.3M | \$545K | 10.2% |
| New Braunfels | \$7.8M | \$3.6M | 46.3% |
| Georgetown | \$11.8M | \$2.8M | 24.1% |
| Round Rock | \$12.4M | \$3.5M | 28.5% |



| | Current Fee | Target Cost Recovery Fee | Proposed Fee | Golds Gym | Metroflex | NB Das Rec |
|--|----------------|-----------------------------|-----------------|--------------|-----------|---------------|
| Activity Center Adult Annual Membership | \$84 | \$220 | \$105 | \$198 | \$299 | \$420 |

Timeline & Next Steps

**October –
November**

1. City Council approval of assumptions
2. Parks Board review of fees and provide recommendations

December

3. Council Worksession follow up
4. Parks Board recommendations

**January
2020**

5. Council agenda with proposed fees
6. Proposed effective date