



# PARKS & RECREATION COMMISSION SPECIAL VIDEO MEETING

Thursday, January 21, 2021 at 5:30 PM

## BOARD MEMBERS:

Chair Rory Westberg  
Vice Chair Jodi McCarthy  
Board Members: Don Cohen, Amy Richter,  
Lyn Gualtieri, Sara Berkenwald, Peter Struck

## LOCATION & CONTACT

Zoom Meeting  
Phone: 206.275.7626 | [www.mercerisland.gov](http://www.mercerisland.gov)

*In compliance with the Americans with Disabilities Act, those requiring accommodation for meetings should notify the Staff Liaison at least 24 hours prior to the meeting at 206.275.7706.*

### Virtual Meeting Notice

The virtual meeting will be broadcast live on Zoom and recorded and saved on the City's [YouTube Channel](#)

**Registering to Speak:** Individuals wishing to speak live during Appearances will need to register their request with the staff liaison at **206-275-7871** or [email](#) and leave a message before 4 PM on the day of the Commission meeting. Please reference "Appearances" on your correspondence. Each speaker will be allowed three (3) minutes to speak.

**Join by Telephone at 5:30 PM:** To listen to the meeting via telephone, please call **253.215.8782** and enter Webinar ID **861 6590 5866** and Password **804113** when prompted.

**Join by Internet at 5:30 PM:** To watch the meeting over the internet via your computer, follow these steps:

- 1) Click [this link](#)
- 2) If the Zoom app is not installed on your computer, you will be prompted to download it.
- 3) If prompted for Webinar ID, enter **861 6590 5866** Enter Password **804113**

**For the safety and wellbeing of the public and staff,** the City strongly recommends that community members attend the meeting by viewing the live feed on Zoom or watching the recording of the video conference on the City's [YouTube Channel](#), which will be available approximately 24-48 hours after the meeting.

## CALL TO ORDER & ROLL CALL - 5:30 PM

## PUBLIC APPEARANCES

## SPECIAL BUSINESS

1. Recreation Reset – Immediate Action Plan
  - Discuss cost recovery model, goals, and preliminary cost recovery targets and pricing strategies.

## ADJOURNMENT

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# CITY OF MERCER ISLAND

## Parks & Recreation Department

9611 SE 36TH STREET | MERCER ISLAND, WA 98040

PHONE: 206.275.7870 | [www.mercergov.org](http://www.mercergov.org)



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## Parks and Recreation Commission

### Staff Report

January 21, 2021

### Recreation Reset / Recovery Planning Workshop

- Exhibit 1 - Recreation Reset-Immediate Action Plan (*Staff Report Jan. 7*)
  - Exhibit 2 - Recreation Reset-Immediate Action Plan (*Presentation Jan. 7*)
  - Exhibit 3 - Preparation Activity for January 21 Workshop
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To: Parks & Recreation Commission

From: Ryan Daly; Operations Transition Team Manager

Date: January 14, 2021

#### BACKGROUND

Throughout 2020, the COVID-19 global pandemic impacted the Parks & Recreation Department. Operational restrictions from COVID-19 placed on services, rentals and programming led to a projected (and realized) decline in earned revenues. This required the suspension of most Recreation Division operations and led to the elimination of several staffing positions within the Department.

City Leadership recognized the importance of recreation programs and services to the Mercer Island Community's quality of life and began planning for restoration. In late October, a staff team facilitated by consultant Emily Moon started work on a "reset" plan for the City's recreational programs and services, including the Mercer Island Community and Event Center (MICEC). This work was to include a review of past offerings and policies, establish future needs, and implement a cost recovery model for ongoing financial sustainability.

At the January 7 Parks & Recreation Commission (PRC) Meeting, commissioners received a Staff Report: Recreation Reset-Immediate Action Plan (see Exhibit 1) and were initially engaged in this "reset" process. Consultant Emily Moon provided a presentation (see Exhibit 2) highlighting

the unique opportunity the PRC has to recognize financial realities and reestablish the Recreation Division within a sustainable model.

The PRC's role in this recovery/reset planning process will be to receive community input, discuss and deliberate, focus on policy level decision making, and provide advice and recommendations to the City Council. This work will guide future Department efforts and establish ways to meet the recreational program, facility, and service needs of the Community.

Prior to the January 21 PRC Workshop, commissioners were provided a memo, Preparation Activity for January 21 Workshop (see Exhibit 3), which contained instructions for an assignment to be completed individually prior to the meeting. In tandem, the PRC was provided the P&R Commission Cost Recovery Pyramid Assignment to facilitate response. Results of the exercise will be placed in a matrix for review at the workshop. This individual exercise was designed to inform the conversation regarding resource allocation and cost recovery.

## **MEETING OVERVIEW**

The PRC will engage in conversations about the development of a cost recovery model, discuss preferred outcomes for the Recreation Recovery/Reset Plan, discuss goals for the overall Recreation Division, and begin to identify cost recovery targets and pricing strategies.

Commissioners will contemplate who benefits from various recreational services – the community in general, or the individual or the group receiving the service. That progression will inform a process of establishing various tiers of cost recovery which could then be associated with a degree of benefit. Through the meeting associated presentation, the PRC will receive the City's past (2019) funding sources for recreation and MICEC services and how those correlate with national trends, as well as examples of other cities' cost recovery targets. This presentation will be added to the Commission Packet following the meeting.

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# CITY OF MERCER ISLAND

## Public Works Department

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## Parks and Recreation Commission

### Staff Report

January 7, 2021

### Recreation Reset – Immediate Action Plan

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To: Parks & Recreation Commission

From: Recreation Transition Team and Emily Moon, Consultant

Date: January 7, 2021

A staff team, facilitated by consultant Emily Moon, has been working since late October on a “reset” plan for the City’s programs in recreation and arts and the Mercer Island Community and Event Center.

The City needs tailored plans to help it emerge from a global pandemic that occurred while the municipality was already reducing programs and services. The reset plan gives the City an opportunity to apply a “zero-based” approach to its programming, services and budget for recreation, arts and the MICEC. The reset will allow the City to align the organizational and programmatic design to its strategic priorities and available resources.

As the emergency continues to evolve, the reset plans need to include ample flexibility. The plans also need to be reviewed periodically and adjusted as conditions and guidance changes. The response to this emergency is not sequential. From time to time, the City - like all entities - may need to repeat or take backward steps. Iterative attempts may be required to find the right solution. In fact, the State of Washington and King County have had to do this, too, as the virus has alternated between subsiding and surging. The City will continue to move on this initial, interim path toward its future state of sustainable services, all while trying to mitigate the impacts of the pandemic.

The team approached developing the reset plan by breaking it into two major steps:

- Shaping an Immediate Action Plan, under which some limited services and programs will be provided prior to wide distribution of a vaccine and/or King County returning to Phase 4 (business as usual) of the Safe Start plan. The Immediate Action Plan requires rapid implementation to successfully launch intended programs by Summer 2021.
- Constructing a longer-term action plan to design and implement future services and programs. This plan will be developed concurrent to the roll-out of the Immediate Action Plan. It will include developing a cost recovery and resource allocation philosophy, a pricing strategy, and a multi-year road map to assist the City in identifying its future recreation, arts and MICEC services and programs. The Parks and Recreation Commission will play an important role in reviewing and contributing to the longer-term reset plan.

#### Immediate Action Plan

The team used the following guiding principles as it assessed what facilities, programs and services the City might be able to offer via the Immediate Action Plan:

1. Our decisions will be guided by the health and safety of our community; we will adhere to public health advice from the State of Washington and King County, and any service sector guidance from the Governor's Office.
2. We are committed to taking whatever measures are necessary to slow down the spread of COVID-19. We must all do our part to ensure our individual and collective health and safety.
3. In utilizing City resources, we will prioritize assisting the City and its partners in providing life safety/basic needs services to residents.
4. We will ensure caretaking of City assets such that they are available and in good working order for the future.
5. We will use available data and situational knowledge to make recommendations and decisions, but will be mindful that alternatives, flexibility and small or iterative steps will be necessary.
6. We pledge to communicate with the City Council and the community as we develop plans and make decisions.
7. We will recognize and respond to this situation as an opportunity to examine doing things differently, innovate, work smarter and reset to a new current and future reality.

In addition, the team contemplated which services and programs the City has had prior success delivering, what level of resources would be needed for implementation and what the return on the investment might be.

Lastly, the uncertainty of both the present and the future required that the team utilize some planning assumptions and prepare alternatives:

- The Immediate Action Plan assumes that the City and King County will likely remain in Phase 2 until sometime in the spring of 2021 and may move to Phase 3 by/in the summer.
- The level of resources that are required to meet the distancing, disinfection and occupancy limits in Phase 2 are such that the costs of providing a program, service or public facility outweigh the benefits (e.g., number of people who could be served, effectiveness of the adjusted service) for all but a few of the highest demand, most profitable and most adaptable programs and services. That cost-benefit evaluation is particularly true for indoor activities. (See **Exhibit 1- Summer Camp Revenue/Expenditure Discussion** for more information regarding budget forecasts).
- The City currently has only 2.75 LTE/FTE assigned to Recreation Division functions, services and reset planning. Most of the staff are also currently performing Emergency Operations functions, or some portion of their roles are unrelated to recreation. Implementation of the Immediate Action Plan will require that these staff members allocate more time on recreation services and less time on their temporary assignments.
- In the past, the City used three to four West Mercer Elementary School classrooms for its summer camps. It is uncertain whether the school district will make those rooms available next summer.

With those guiding principles, metrics and assumptions in mind, the team will implement the following Immediate Action Plan:

- Organize and offer 9 weeks of summer camps, hosted at the MICEC and various park locations, designed and operated by contractors (Safe Start Phase 2 or greater)
  - This will require selecting and contracting various camps, ordering any necessary supplies, preparing the facility, developing new COVID-related forms and procedures, and more.
- Offer gymnasium rental to sports programs/teams on weekday evenings and possibly weekends, depending on staffing levels (Safe Start Phase 3 or greater)
  - This will require notifying potential renters, ordering any necessary supplies, preparing the facility, developing new COVID-related forms and procedures, and more.

Options/alternatives/flexibility:

- If King County has not moved into Phase 3 (and dependent on guidance from CDC and Public Health Seattle & King County) by the start of summer camp, all camps will be run

outdoors. As such, the City will focus on selecting camps that are better suited to being conducted outdoors. The City will investigate indoor camp possibilities but will need to determine this spring whether those camps can be held.

- If staffing levels permit and if the county is in Safe Start Phase 3 with vaccine distribution underway, the City will consider resuming special event rentals of the MICEC as early as July 2021.

### Longer-term Reset Plan

The team's goal is to finalize the longer-term reset plan by April 2021 and, assuming Safe Start Phase 4 and a vaccine are in place, be in a position to offer some initial, future services and programs by September 2021.

Going forward, the Parks and Recreation Commission's role will be to:

- Understand the Immediate Action Plan and provide comments.
- Review and provide input on the longer-term reset and action plan, which staff will develop this winter and spring.
- Provide City Council with advice regarding a recommended cost recovery and resource allocation philosophy, a pricing strategy and a multi-year road map for arts, recreation and the Mercer Island Community and Events Center.
- Help ensure alignment between the longer-term reset plan and the soon-to-be-updated Parks, Recreation and Open Space (PROS) Plan.
- Continue to service in an advisory role to the City Council in the development of future policies related to the implementation of the recreation reset plan.

The team will develop a Let's Talk page to share information with residents about the reset planning efforts and to solicit input on recreation and Mercer Island Community and Events Center priorities. (The Arts Commission completed an applicable study during Fall 2019.) Information received via that webpage, in public meetings and through the PROS survey (performed in February 2020) will help the Transition Team develop items for the Commission's and Council's consideration. The team anticipates that the long-term reset will take a few years to fully fund and implement, and that public input will be sought periodically along the way. Next steps and recommended meetings with the Parks and Recreation Commission:

- Special meeting workshop, January 21, 2021
- Regular meeting, February 4, 2021
- Special meeting workshop, February 25, 2021



# Recreation Reset: Immediate Action Plan

January 7, 2021



# Introductions

- Emily Moon, local government management consultant
- Transition Team  Recreation “Reset” Team
  - Ryan Daly
  - Merrill Thomas-Schadt
  - Katie Herzog
  - Other Transition Team members and Public Works staff



# Reset: Opportunity and Challenge

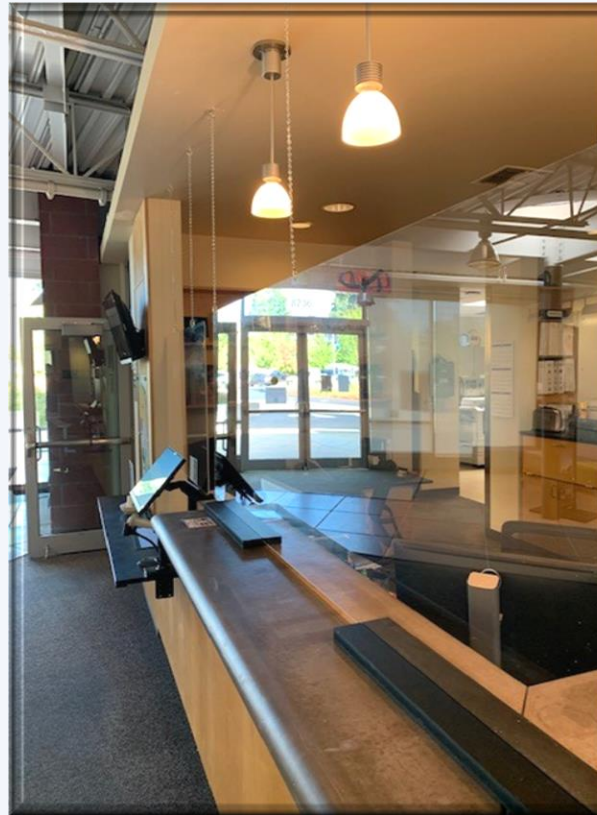


- “Reset” not a “recovery” plan
  - Recognize financial realities
  - Chance to reposition for the better
- Build something new from ground up
  - Establish priorities and goals
  - Improve procedures, services/programs and outcomes
  - Promote financial sustainability
  - Leverage assets
- Short-term: ensure flexibility; plan and prepare

# Two Stages

## Immediate Action Plan

- COVID-responsive
- Implement now
- Effective most of 2021



Health safety retrofit of  
MICEC front desk

## Longer-term Action Plan

- Post-COVID
- Design now
- Implement over a few years

# COVID Framework

Guiding principles used to weigh what facilities, programs and services the City might be able to offer now and over the next several months.

- Our decisions will be guided by the **health and safety of our community**; we will adhere to public health advice from the State of Washington and King County, and any service sector guidance from the Governor's Office.
- We are committed to taking whatever measures are necessary to **slow down the spread of COVID-19**. We must all do our part to ensure our individual and collective health and safety.
- In utilizing City resources, we will **prioritize assisting** the City and its partners in providing life safety/basic needs services to residents.
- We will **ensure caretaking of City assets** such that they are available and in good working order for the future.
- We will use available data and situational knowledge to make recommendations and decisions, but will be mindful that alternatives, **flexibility, and small or iterative steps will be necessary**.
- We pledge to **communicate** with the City Council and the community as we develop plans and make decisions.
- We will recognize and respond to this situation as an **opportunity to examine doing things differently, innovate, work smarter and reset** to a new current and future reality.





# Immediate Action Plan

Item 1.

- Consistency with COVID framework
- Level of prior success
- Implementation resources required (and reserved for long-term planning)
- Potential return on investment

9 weeks of contractor-led summer camp



Possible future offerings (dependent on COVID):

- MICEC gym rental
- MICEC special events rental



# Flexible but Progressing

Considerations:

Safe Start Phase

Timeline constraints

Use of other facilities; focus on outdoors

Can contractors and user groups  
assume responsibilities and tasks

Additional staffing requirements

# Underway Tasks

## Examples:

- Reallocating staff's time
- Writing COVID procedures
- Hiring limited-term administrative and camp oversight help
- Preparing a move-out plan for temporary operations at MICEC
- Securing camp offerings
- Designing camp brochure





# Long-term Reset Plan

Item 1.

Develop these tools:

- Cost recovery and resource allocation philosophy
- Pricing strategy
- Multi-year roadmap for developing, improving and installing recreation, MICEC and arts policies, programs and services

Purpose of those tools:

- Decide to generate revenues by charging fees for some, or all, programs and services relative to the total operational (or direct) costs to provide them
- Reposition programs and services with a goal of reducing reliance on tax dollar support
- Describe how we will use limited tax dollars and alternative sources of funding
- Provide services in a fair and equitable manner, consistent with values and goals
- Help the City advance to a future state of greater financial sustainability while offering prioritized, high quality services





- Understand the Immediate Action Plan and provide comments.
- Review and provide input on the longer-term reset and action plan, which staff will develop this winter and spring.
- Provide City Council with advice regarding a recommended cost recovery and resource allocation philosophy, a pricing strategy and a multi-year road map for arts, recreation and the Mercer Island Community and Events Center.
- Help ensure alignment between the longer-term reset plan and the soon-to-be-updated Parks, Recreation and Open Space (PROS) Plan.
- Continue to service in an advisory role to the City Council in the development of future policies related to the implementation of the recreation reset plan.

# Commission's Role

Listen to input

Discuss and deliberate

Focus on policy

Advise and recommend

Guide future efforts



# Next Steps

- Let's Talk public engagement
- Workshop – Jan 21, 2021
- Regular meeting – Feb 4, 2021
- Workshop – Feb 25, 2021



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# CITY OF MERCER ISLAND

[www.mercergov.org](http://www.mercergov.org)



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## Parks and Recreation Commission

January 13, 2021

### Preparation Activity for January 21 Workshop

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**To: Parks & Recreation Commission**

**From: Recreation and MICEC Reset Team**

**Date: January 13, 2021**

Prior to our workshop on January 21<sup>st</sup>, we wanted to give you some background on a model we are using to develop Mercer Island's cost recovery and resource allocation philosophy. That model was created by GreenPlay, LLC and is widely used across the country.

In addition, we would like you to complete a little exercise using GreenPlay's cost recovery pyramid so that you can gain familiarity with it and come prepared to discuss your experience with the assignment when we meet on January 21<sup>st</sup>.

#### Assignment

1. Read and follow the attached instructions, placing categories of recreation programs and services into the tiers on the pyramid.
2. Take note of what was easy and what was challenging about this assignment.
3. Send your completed assignment back to Ryan Daly.
4. Come to the workshop on the 21<sup>st</sup> ready to share those thoughts with fellow commissioners and the Reset Team.
5. Be prepared to discuss a summary of Commissioners' pyramids and the Reset Team's recommended cost recovery pyramid when they are presented during the workshop. Our discussion will focus particularly on categories of services for which Commissioners and/or the Reset Team were not in unanimous agreement about and for which we would like your input.

### Why are we focused on cost recovery and resource allocation?

The City lacks a comprehensive philosophy to apply when deciding what to offer and at what cost. Our future cost recovery and resource allocation philosophy is intended to help us achieve these outcomes:

- Service and program offerings that are aligned with values and goals
- Purposely planned balance between community-investment and individual benefits
- Financial sustainability that ensures stewardship and accessibility that benefits all

### What does cost recovery mean?

- The degree to which the operational and maintenance costs of providing a program or service are supported by user fees and/or other funding mechanisms such as grants, partnerships, donations, sponsorships, or other alternative (non-tax) funding sources.
- Subsidized programs and services receive General Fund support such as revenue from taxes collected by the City. Subsidy can be thought of as the community's investment in recreation.

### Background on the GreenPlay Cost Recovery Pyramid

The GreenPlay methodology helps us to identify and discuss where the financial resources are going or will go, which programs are or will be subsidized, and what we should be subsidizing to meet overall goals.

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.

The pyramid has five tiers depicting ranges in levels of benefits and cost recovery (subsidy vs profit). Categories of programs and services are sorted into the tiers.

### Next Step Instructions

Please review the instructions provided in the Excel worksheet that you were sent with this memo. Based on those instructions and guidance, move each program/service into one tier.

Please note that the categories of programs and services attempt to represent all services and programs that the City previously offered or may offer in the future. We have tried to capture a range of possibilities. New, renamed or updated categories could be added, or some could be deleted from the City's pyramid, whenever desired.

After you have completed the exercise, email your worksheet to Ryan Daly at [Ryan.Daly@mercergov.org](mailto:Ryan.Daly@mercergov.org)

### Attachments

1. GreenPlay pyramid graphic
2. Excel worksheet

# Rec and MICEC Reset

January 21, 2021

A collection of abstract geometric shapes in orange, green, and blue. On the left, there is a brown semi-circle at the top, two blue vertical bars, a green semi-circle, and an orange square. In the center, there is a large green semi-circle, a brown circle, and several blue curved lines. At the bottom, there is a large green semi-circle and a blue curved line. On the right, there is a large orange arrow pointing downwards and to the left.

# Introductions and roles

Rec reset team: Emily Moon (consultant); staff:  
Ryan Daly, Merrill Thomas-Schadt, Katie Herzog

Develop recommendations for the reset (immediate and longer-term) of recreation and Mercer Island Community and Event Center (MICEC) programs and services by applying data, priorities/goals and input, such that some operations can begin as soon as the Summer of 2021.

## Parks and Recreation Commission Members

Review and provide input on the reset plans; provide City Council with advice regarding a recommended cost recovery and resource allocation philosophy, a pricing strategy and a multi-year road map for recreation and the Mercer Island Community and Events Center; help ensure alignment with the Parks, Recreation and Open Space (PROS) Plan; advise City Council concerning the development of future policies related implementation.



# Big task, but take comfort...

- Two months to learn, listen, discuss, make initial recommendations; you've been empowered to represent and advise
- Public engagement's focus is on helping residents know that we're working on the reset; engagement and input opportunities will be ongoing – even after initial recommendations are made
- All final products can be updated over time, as priorities or other factors change; full implementation will take a few years

# Goals for workshop

Learn	Learn about the cost recovery model
Discuss	Discuss outcomes for reset project and, overall, for recreation and MICEC
Begin	Begin to identify cost recovery targets and share ideas about a pricing strategy



# BIG PICTURE project directive

“Figure out how to start up some services.”

- What?
- When?
- How?
- Why?
- Who?

What are we working with? Limited financial and staffing resources, a great physical asset, a new but dedicated commission, a supportive community, and more.

“If you don’t know where you are going,  
any road will take you there.”

# Reset project's goals and expectations

- Improve financial sustainability
- Be deliberate about which programs we offer and what level of resources we are putting into them
- Use strengths and assets to improve the City's ability to deliver more service, services that need more financial support, or higher quality services
- Create greater clarity around who is benefitting from services and who is paying for them
- Develop a strategic approach for near- and far-term (including a cost recovery and resource allocation philosophy)

What are the outcomes we are seeking through developing a philosophy or strategy for cost recovery and resource allocation?




FINANCIAL SUSTAINABILITY THAT  
ENSURES STEWARDSHIP AND  
ACCESSIBILITY THAT BENEFITS ALL



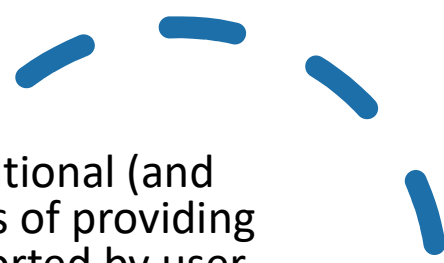
PURPOSELY PLANNED BALANCE  
BETWEEN COMMUNITY-INVESTMENT  
AND INDIVIDUAL BENEFITS



SERVICE AND PROGRAM OFFERINGS  
THAT ARE ALIGNED WITH VALUES AND  
GOALS



# What is cost recovery?

- 
- The degree to which the operational (and sometimes maintenance) costs of providing a program or service are supported by user fees and/or other funding mechanisms such as grants, partnerships, donations, sponsorships, or other alternative (non-tax) funding sources.
  - Subsidized programs and services receive General Fund support such as revenue from taxes collected by the City. Subsidy can be thought of as the community's investment in recreation.



Questions so far?

# A brief sidenote...

a framework focusing on Rec's financial sustainability isn't new.

- Fee study completed in 2002 established an overall cost recovery goal, which has been increased several times
- 2014-2019 Parks and Rec Plan includes goals such as:
  - Cost recovery levels for adults shall be greater than youth and seniors and youth programs shall recover more than senior programs
  - Adult sports leagues shall recover a higher level of costs than youth sports leagues
  - Operate community center (MICEC) within budget policy as set by City Council
  - Establish city and department usage and fee guidelines for overall facility usage such as recreation programs, public rentals, and free usage
  - Establish cost recovery guidelines for facility
  - Review and establish Council directed funding policy for center that can support its annual operational needs.



## Policy questions to keep in mind

- To what extent should recreation programs, services and MICEC costs be taxpayer supported, as opposed to being paid for by participants or users? Does that extent vary depending on if the service is deemed to be a core service rather than a discretionary one, or if the service benefits individuals more than groups or the community as a whole?
- Should specific populations be the target audience or recipient of a larger share of the City's recreational programming or MICEC use? If so, who are those populations?
- Should the way the City charges for programs and services reflect the mission, values and vision for recreation services? If so, how?
- What is the City's role and responsibility for recreation (or as a recreation center or events center) in Mercer Island? How can the new portfolio of programs and services reflect that role and responsibility?

*These questions appeared on the project's Let's Talk page.*

# Key questions in establishing a cost recovery and resource allocation philosophy

- Where's the money going?
- Which programs or facilities are being subsidized?
- What should you be subsidizing to meet your overall goals?
- Is the City the best or most appropriate organization to provide the service?
- Is market competition good for our residents?
- Is the City spreading its resources too thin without the capacity to sustain core services and the system in general?



# Key questions in establishing a cost recovery and resource allocation philosophy

- Are there opportunities to work with another organization to provide services in a more efficient and responsible manner?
- Are our programs priced fairly and equitably?
- How will we continue to fund departmental 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 subsidy (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 the departmental/City values, vision, and mission?



Questions so far?

# Funding

In the past, recreation and MICEC sources of funding were:

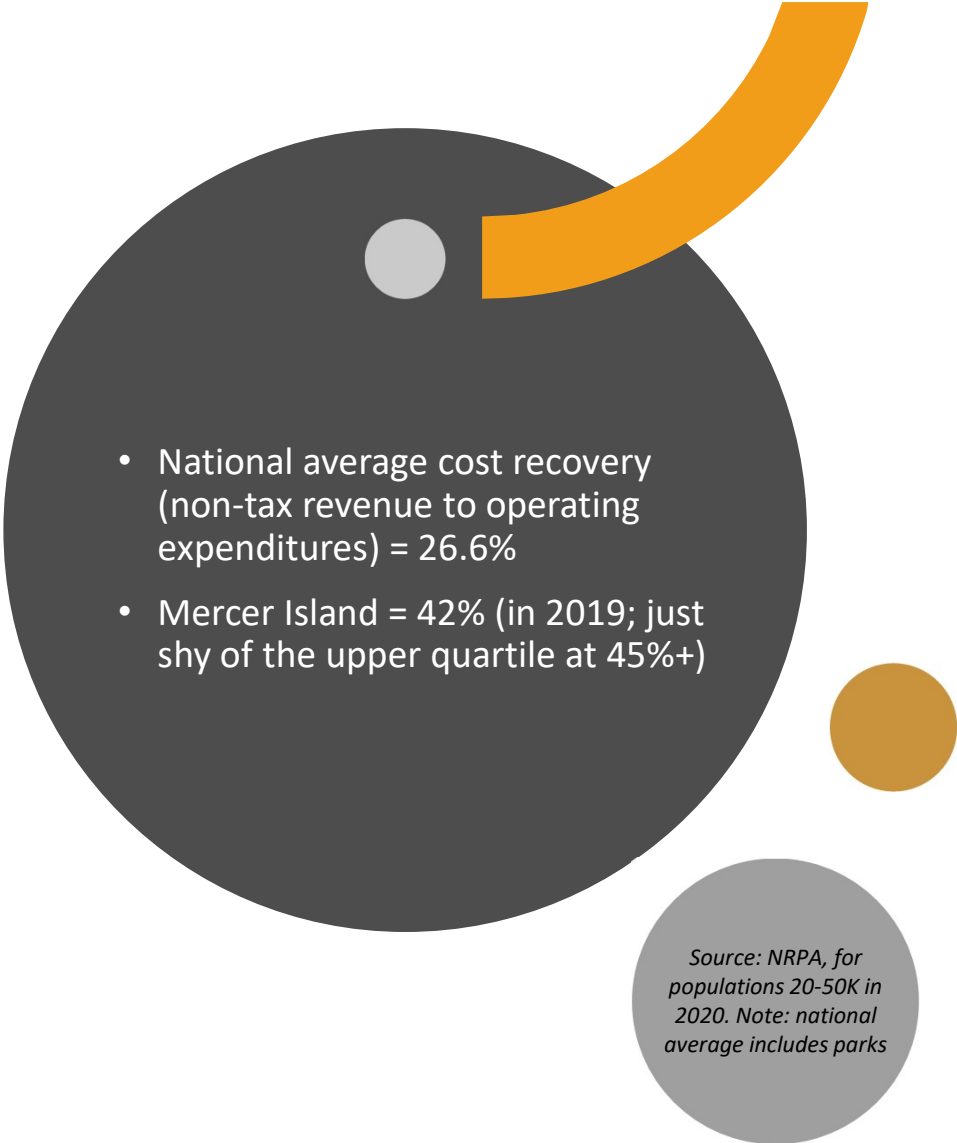
- 57% from taxes
- 23% from rental fees paid by people of groups to rent rooms in the facility
- 17% from fees paid by participants and users for programs
- 2% from miscellaneous assortment of sources (such as gallery art sales, donations, etc.)

Nationally, sources of operating support for parks and recreation departments or districts are, on average:

- 60% General Fund tax support
- 24% earned/generated revenue
- 8% dedicated levies
- 3% other dedicated taxes
- 2% grants
- 2% other
- 1% sponsorships

*(Source: NRPA)*

# Mercer Island's cost recovery compared to a benchmark

- 
- National average cost recovery (non-tax revenue to operating expenditures) = 26.6%
  - Mercer Island = 42% (in 2019; just shy of the upper quartile at 45%+)

*Source: NRPA, for populations 20-50K in 2020. Note: national average includes parks*

# Cost recovery and resource allocation philosophy

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Getting started

# Getting started

## Typical steps for departments that are simultaneously delivering services:

1. Pause to examine values, mission, vision
2. Identify core services and assets
3. Do some assessment of services/programs
4. Categorize past/potential types of services
5. Identify direct and indirect costs
6. Examine past and market pricing
7. Consider current and future capacity for doing cost recovery accounting



## Our steps

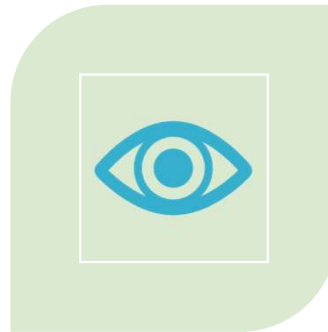
1. Proceeding with these in mind
2. Will discuss with Commission
3. No current programs but will review when new framework complete and ready to select offerings
4. Will discuss with Commission
5. Have identified
6. Will do as part of the fee study and development of fee schedule
7. Ongoing

# Guiding statements



## MISSION

*(P&R) Take pride in providing the highest quality facilities and services in partnership with the community to enhance livability on Mercer Island.*



## VISION

*(City) To provide valued and effective municipal services in ways that are efficient, flexible, innovative, and creative, with an emphasis on sustainability. We strive to be among the best in all we do.*



## VALUES

*(City) We value high ethical standards, outstanding customer service, teamwork, and leadership development.*

Community members were largely happy with recreation and the MICEC prior to the pandemic.



Nearly all respondents (99%) think parks and recreation are important to quality of life on Mercer Island.

(2020 PROS survey)



76% “satisfied” or “very satisfied” with “recreation programs and special events”

(2018 community survey)




The majority expressed satisfaction with the quantity of programs, services and indoor facilities.

(2020 PROS survey)



# Past offerings included...

- Youth and adult athletics
- Room/gym/facility rentals
- Special events
- Trips
- Fitness and non-fitness classes (such as art, language, computer)
- Daytime program for seniors
- Adaptive recreation opportunities
- School break and summer camps
- Drop-in activities
- Art gallery
- Fitness Center
- And more!



60+ different  
activities, offered  
multiple times each  
season

# Core services and (fixed) assets

## Recreation

Assets:

Equipment, available space

Core services: ?

## Community and Events Center

Assets:

Gymnasium, meeting/activity rooms, kitchen, locker rooms, gallery space....

Core services:

Facility rental or reservation for public or private use....

Core = can be debatable; often means services that the municipality is required (compelled) to deliver and services that are expected (usually because no other provider exists).

# Which programs or activities should we provide?

- We will identify our goals for service delivery.
- By clarifying how we will achieve our sought-after outcomes, we will bring into focus what is “essential”.

Eventually, we will begin to label programs and services as one of the following:

- The public good/social core
- The business sustainability core
- The non-essential desirables



# Quick discussion on core services

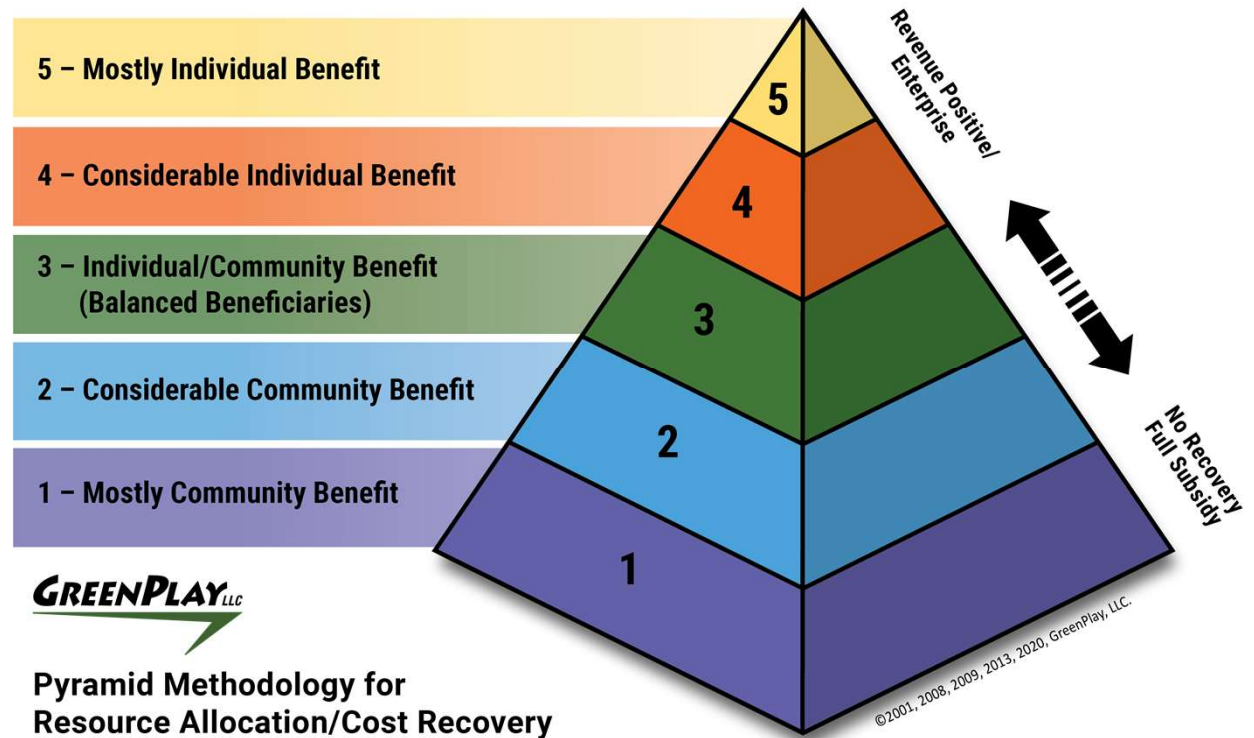
# Ways of viewing service provision

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?

# Pyramid Methodology

Sorts programs and services into tiers based on an assessment of who benefits from that program/service

Other filters may also be applied but the benefits filter is primary.



# Influential Factors and Considerations

The provision of services also can be influenced by these factors and filters:

- Trends (traditional and expected to innovative or fad)
- Commitment factors (drop-in to specialized)
- Political filter (not a continuum; asks, “What’s in/out of our control?”)
- Marketing factor (effect in attracting participants/customers)
- Relative cost to provide factor (low to high)
- Economic conditions factor (financial realities; ability to pay)
- Financial goals factor (100% subsidized to generates excess revenue)

# Categorizing services/programs

Administrative overhead/allocated costs	Preschool-age programming
Adult advanced/competitive programs	Private leases of Annex
Adult beginner/intermediate programs	Private/semi-private lessons, taught by City instructors/contractors
Boat launch use	Scholarship program
Community and Events Center facility rentals (exclusive use)	Senior transportation
Community-wide special events or open (no pre-registration) special programs	Social or human services
Drop-in, self-directed sports	Special events (not City-sponsored/external party; substantial)
Equipment rentals	Therapeutic/Adaptive/Specialized Recreation Services
Facility/park shelter/field rentals (public use)	Tournaments
Fitness center use	Trips
Inclusion services	Vending, concessions or other commercial sales
Maintenance/custodial services	Volunteer program
Merchandise sales	Work study/internship/community service
Mixed age/family programs	Youth advanced/competitive programs
Park shelter/field rentals (exclusive use)	Youth beginner/intermediate programs
P-Patch use	Youth camps, before and after school, school break programming

32 categories:  
past and possible



# The tiers

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 cost in addition to a designated profit percentage.

5

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 expenses.

4

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.

3

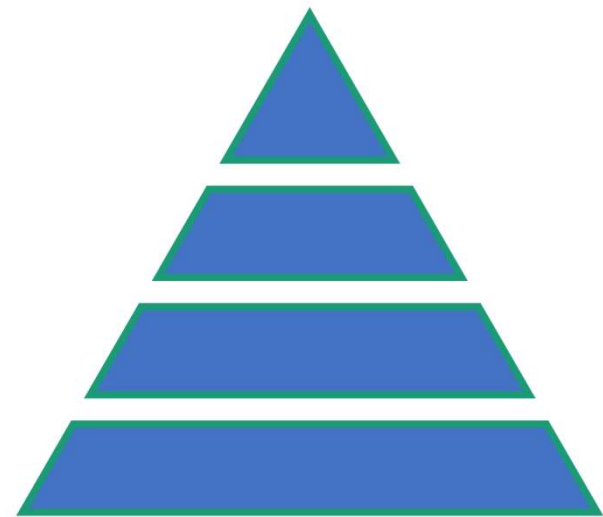
The second level of the Pyramid represents services that promote individual physical and mental wellbeing, and may begin to provide skill development. They are generally traditionally expected services and/or beginner instructional levels. These services are typically assigned fees based upon a specified 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.

2

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, 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.

1

# Exercise: Designing MI's pyramid



# Exercise

- Considered helpful guidance (next slide)
- Reviewed and applied tier definitions
- Sorted categories of services and programs into tiers
- Reset Team aggregated the results
- Tonight: discuss Commission's pyramid and the Reset Team's pyramid

# Exercise

Guidance included:

Think less about who is paying what and more about who is benefitting. Is the service available to more or less of the community? How specialized is the service? Do other people benefit even if they are not engaged in the program/service directly? Who is generating the need for and therefore the cost of the service? Is the City compelled/required to provide this? Are there competing providers?

Cost recovery tier is not synonymous with level or amount of fee. Fees will be set based on a variety of factors (not simply based on the “benefit filter”).

# Commission's aggregated pyramid

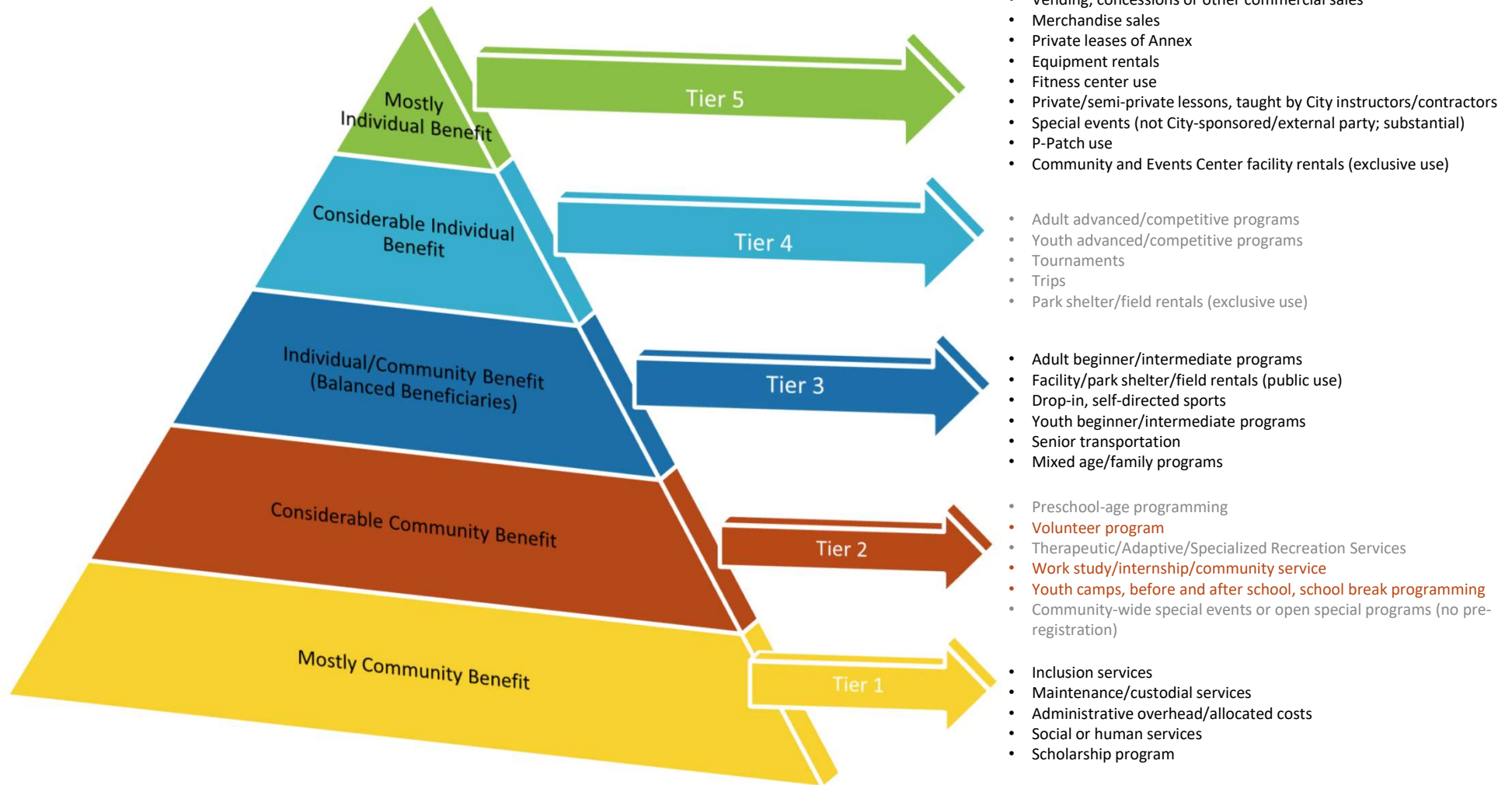
	1 - Mostly Community Benefit	2 - Considerable Community Benefit	3 - Individual/Community Benefit	4 - Considerable Individual Benefit	5 - Mostly Individual Benefit
Administrative overhead/allocated costs	5		1		
Adult advanced/competitive programs		1		2	3
Adult beginner/intermediate programs		2	2	1	1
Boat launch use	2		1	1	2
Community and Events Center facility rentals (exclusive use)				1	5
Community-wide special events or open (no pre-registration) special programs	2	3	1		
Drop-in, self-directed sports		3	2	1	
Equipment rentals				3	3
Facility/park shelter/field rentals (public use)	1		5		
Fitness center use		1	3	2	
Inclusion services	2	2	1	1	
Maintenance/custodial services	6				
Merchandise sales					6
Mixed age/family programs	1	2	2	1	
Park shelter/field rentals (exclusive use)				3	3
P-Patch use		1	2	3	
Preschool-age programming		4	1	1	
Private leases of Annex				1	5
Private/semi-private lessons, taught by City instructors/contractors		1		1	4
Scholarship program	2	2	2		
Senior transportation		3	3		
Social or human services	4	2			
Special events (not City-sponsored/external party; substantial)				2	4
Therapeutic/Adaptive/Specialized Recreation Services	1	3	1	1	
Tournaments				6	
Trips		1	1	4	
Vending, concessions or other commercial sales					6
Volunteer program	4		2		
Work study/internship/community service	4	1	1		
Youth advanced/competitive programs				5	1
Youth beginner/intermediate programs		1	4	1	
Youth camps, before and after school, school break programming			4	1	1

# Commission's aggregated pyramid

	1 - Mostly Community Benefit	2 - Considerable Community Benefit	3 - Individual/Community Benefit	4 - Considerable Individual Benefit	5 - Mostly Individual Benefit
Adult advanced/competitive programs		1		2	3
Adult beginner/intermediate programs		2	2	1	1
Boat launch use	2		1	1	2
Community-wide special events or open (no pre-registration) special programs	2	3	1		
Drop-in, self-directed sports		3	2	1	
Fitness center use		1	3	2	
Inclusion services	2	2	1	1	
Mixed age/family programs	1	2	2	1	
P-Patch use		1	2	3	
Scholarship program	2	2	2		
Therapeutic/Adaptive/Specialized Recreation Services	1	3	1	1	
Senior transportation		3	3		
Park shelter/field rentals (exclusive use)				3	3
Equipment rentals				3	3

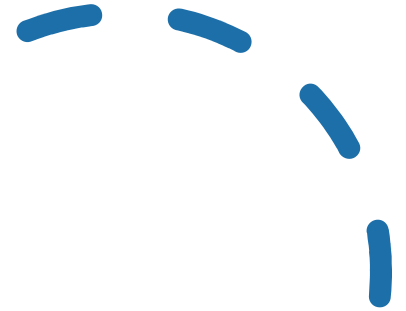
1. Discuss placement of programs/services that lacked good consensus, where results were highly varied
2. Discuss placement of programs/services that had a 3:3 split
3. Discuss where the Commission's pyramid differs from the Reset Team's pyramid

# Reset Team's Proposed Cost Recovery Pyramid





Thoughts about the  
categorization exercise?





# Costs

## Direct

Includes all the specific, identifiable expenses (fixed and variable) associated with providing a service, program, or facility. These expenses would not exist without the program or service and often increase exponentially.

## Indirect

Departmental administration, support services or cost allocations from other internal departments encompass the remaining overhead (fixed and variable) and are not identified as direct costs.

# Cost Recovery Targets

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- The tier cost recovery targets represent the minimum cost recovery for aggregated categories of service within that tier and are primarily attempting to recover direct cost of service provision, not all costs nor fully loaded (direct and indirect) costs.
- While each individual service within the tier may have a fee that is established to recover at or above the target level, the primary objective is for the entire tier as a group to achieve the target.
- The fees for each service will be a product of several factors; tier placement is not the same as scale of fee.

# Examples of Cost Recovery Targets



Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	Jurisdiction
Minimum 0%	Minimum 45%	Minimum 90%	Minimum 100%	Minimum 200%	Corvallis, OR
0-15%	16-50%	51-80%	81-100%	100%+	~Steamboat Springs, CO
Minimum 0%	Minimum 20%	Minimum 50%	Minimum 125%	Minimum 150%	Alexandria, VA
Minimum 0%	Minimum 75%	Minimum 100%	Minimum 150%	Minimum 200%+	Tualatin Hills P&R District
Minimum 0%	Minimum 55%	Minimum 75%	Minimum 100%	Minimum 150%+	~San Luis Obispo, CA
Minimum 0%	Minimum 50%	Minimum 75%	Minimum 125%	Minimum 150%+	Denver, CO*
0-1%	Minimum 100%	Minimum 110%	Minimum 130%	Minimum 160%	Redmond, WA
>0%	>25%	>50%	>75%	>100%	Kirkland, WA
<i>Minimum 0%</i>	<i>Minimum 50%</i>	<i>Minimum 75%</i>	<i>Minimum 120%</i>	<i>Minimum 150%</i>	<i>Mercer Island, WA!</i>

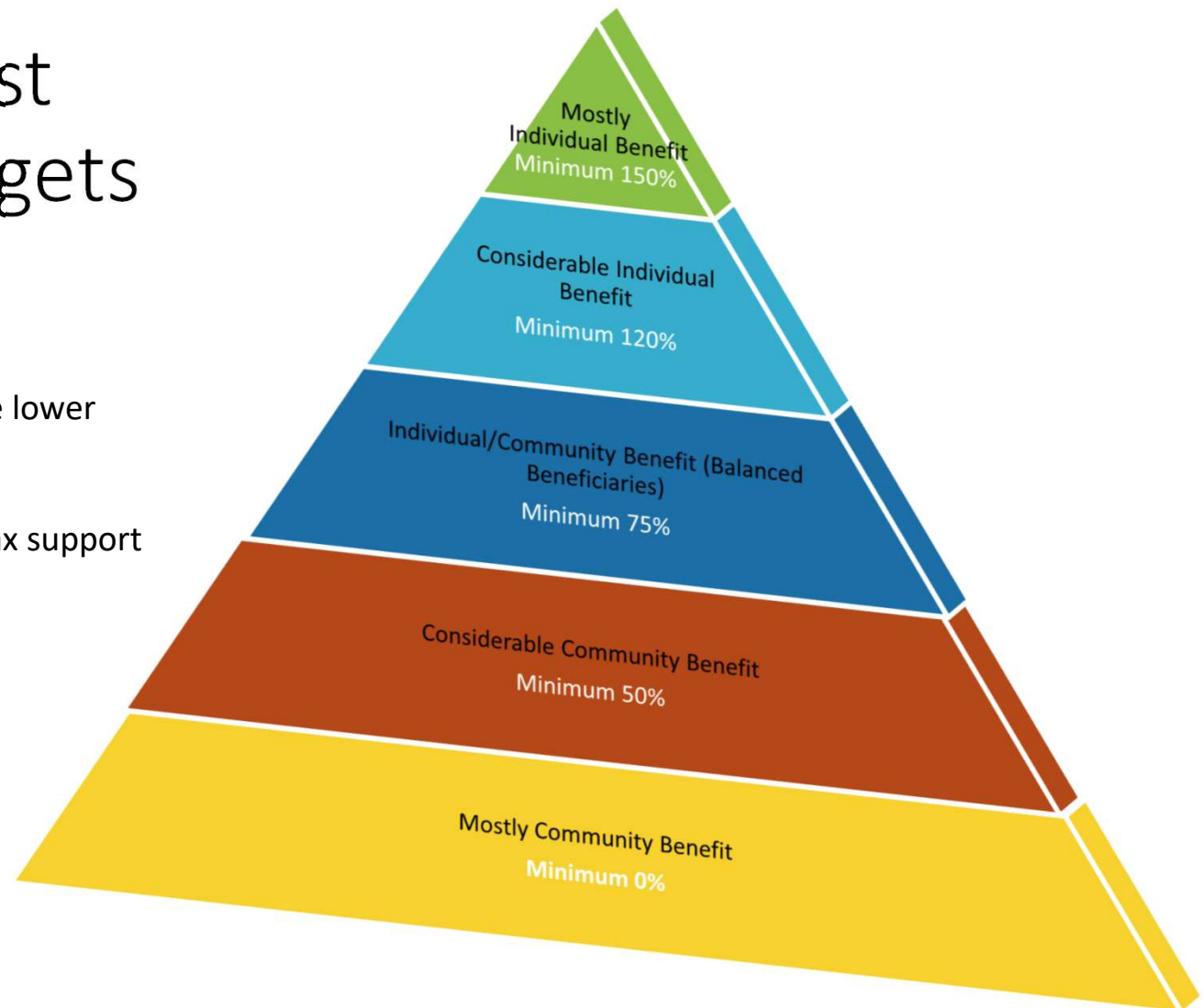
~ Representative

- Includes indirect and capital costs
- ! For discussion

# Proposed Cost Recovery Targets

Upper tiers must help subsidize lower tiers.

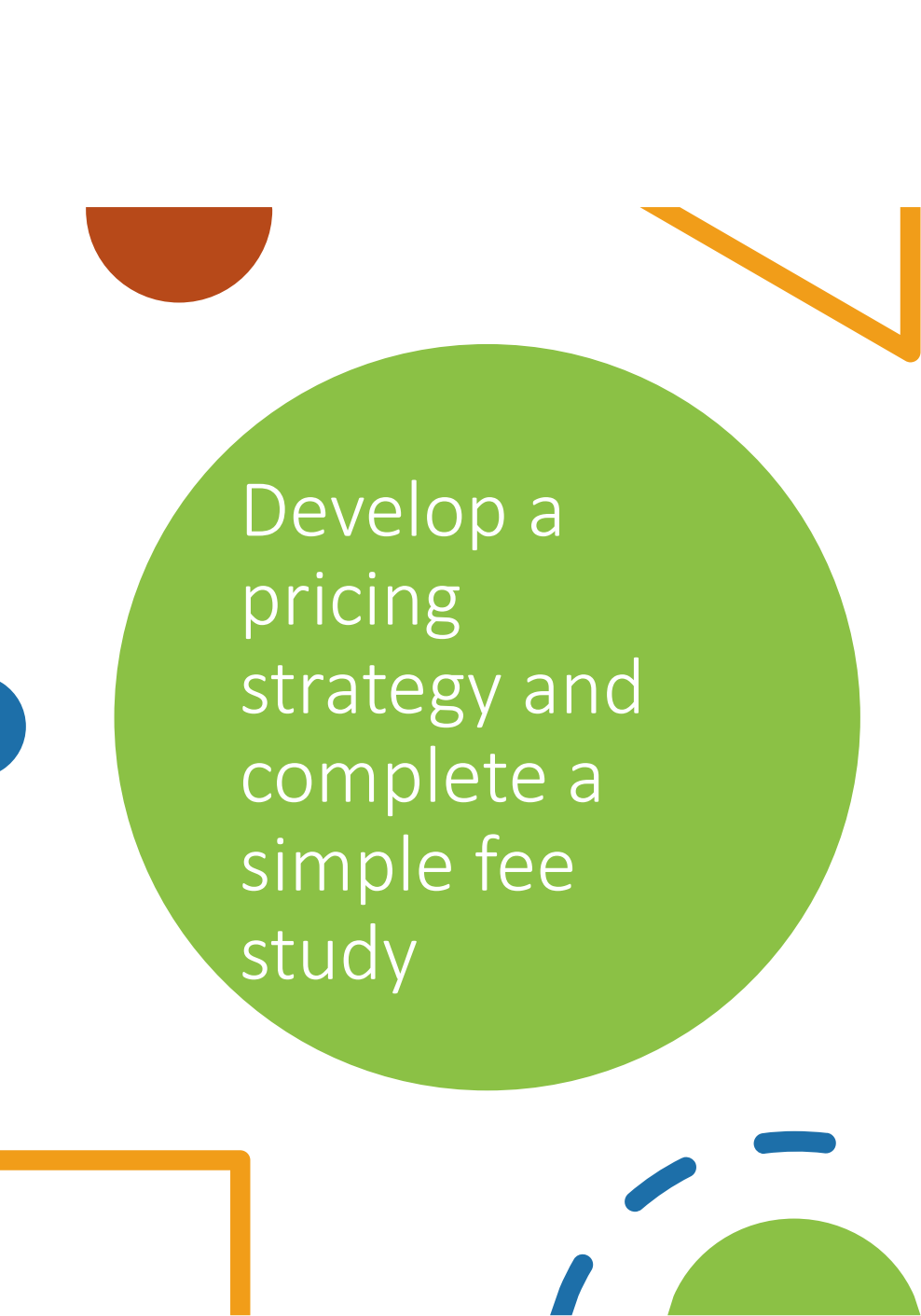
Lower tiers will receive more tax support than upper tiers.





Questions so far?

# Next Steps



Develop a  
pricing  
strategy and  
complete a  
simple fee  
study

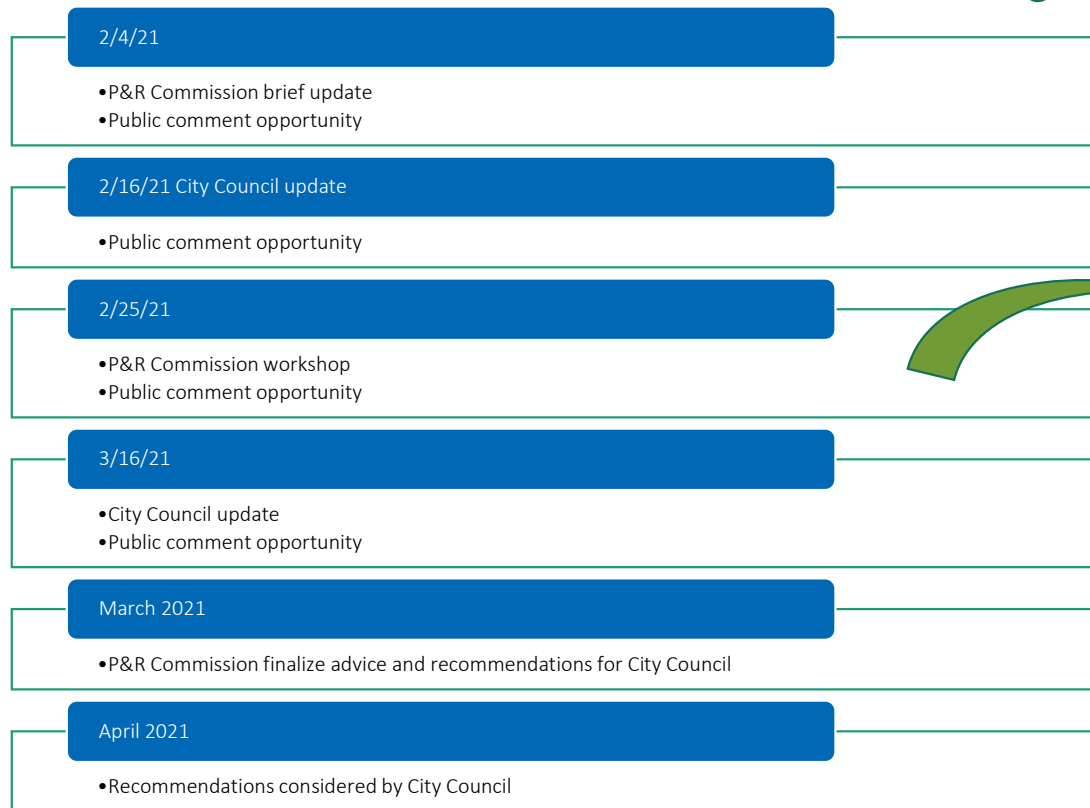
Possible aims of a strategy:

- Recover costs
- Create new resources or seed funds
- Establish value
- Influence behavior
- Promote efficiency
- Implement differential pricing to either stimulate demand for a service during a specified time or to reach underserved populations

Types of strategies:

- Arbitrary (need to reach an overall target)
- Market-based (product of demand)
- Competitor based (match, beat or exceed other providers)
- Cost recovery pricing (designed to reach cost recovery goals)

# Project Schedule



Let's Talk survey is open now!  
Closes February 16<sup>th</sup>.

Next workshop is likely  
to focus on.... sharing  
survey results, fee study  
findings, preliminary  
offerings beginning Fall  
2021, resource needs



Thanks!