

TOWN OF MANSFIELD
FINANCE COMMITTEE MEETING

Monday, March 14, 2016

Audrey P. Beck Building
Council Chambers
5:30pm

A G E N D A

1. Call to order
2. Approval of the minutes for February 9, 2016
3. Opportunity for Public Comment
4. Staff Reports
5. Policies and Procedures Update
6. Fee Waiver Program Review
7. Parks & Recreation Program Review
8. Communications/Other Business/Future Agenda Items
9. Adjournment

TOWN OF MANSFIELD
FINANCE COMMITTEE MEETING
MINUTES OF FEBRUARY 9, 2016

Item #2

Members Present: Ryan (Chair), Raymond, Marcellino

Other Council Members Present: Shapiro, Shaiken

Staff Present: Hart, Trahan, Capriola

Guests: None

1. Meeting called to order at 6:00 pm
2. Approval of minutes for January 11, 2016

Raymond moved and Ryan seconded to amend the minutes of the January 11, 2016 meeting as presented by eliminating item #9 Communications/Other Business/Future Agenda Items as these items were not part of the discussion of the meeting; and to remove from future agenda items "Parameters for building permit fee reductions". Motion passed unanimously.

Marcellino moved and Raymond seconded to approve the minutes as amended of the January 11, 2016 meeting. Motion passed unanimously.

3. Opportunity for Public Comment – None
4. Staff Reports – Finance Director Trahan reported that Joe Centofanti from CohnReznik met with several more departments on the fraud risk assessment but still has a couple of departments to interview. Based his discussion with staff, some departments are already implementing suggested changes.
5. Policies and Procedures Update – Updated versions of the Fraud Prevention and Reporting Policy and the Whistleblower Policy with the changes requested by the Finance Committee at the January 11, 2016 meeting were reviewed and discussed. The Committee is comfortable with the policies as written. Town Manager Hart will issue these policies.
6. Quarterly Financial Statements dated December 31, 2015 – Finance Director Trahan reviewed the financial statements and answered questions from the Committee

Marcellino moved and Raymond seconded to recommend acceptance of the Quarterly Financial Statements dated December 31, 2015. Motion passed unanimously.

7. Communications/Other Business/Future Agenda Items – None
8. Adjournment. The meeting adjourned at 6:18 pm.

Raymond moved and Marcellino seconded to adjourn. Motion passed unanimously.

Respectfully Submitted,
Cherie Trahan, Director of Finance

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Town of Mansfield Department of Finance

To: Finance Committee
From: Cherie Trahan, Director
CC: Matt Hart, Town Manager
Date: March 11, 2016
Re: Future Agenda Items

- Continue review of the Fiscal Management Policies (Fund Balance complete, need to update Investment, Debt, etc)
- Review of Purchasing Ordinance
- Level at which we propose bonding
- Discussion with Mansfield Discovery Depot regarding a preschool subsidy

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**TOWN OF MANSFIELD
POLICY MEMORANDUM**

To: All Town Employees
From: Matthew W. Hart, Town Manager *M. W. Hart*
Date: February 17, 2016
Subject: Fraud Prevention and Reporting Policy

I. Purpose

The Town of Mansfield recognizes the importance of protecting the organization, its taxpayers, its employees and its assets against financial risks, operational breaches and unethical activities. Therefore, the Town will clearly communicate the fraud prevention policy to both internal and external customers, vendors and employees.

The impact of misconduct and dishonesty may include:

- The actual financial loss incurred
- Damage to the reputation of our Town and our employees
- Negative publicity
- The cost of investigation
- Loss of employees
- Loss of public confidence
- Damaged relationships with our contractors and suppliers
- Litigation

Our goal is to establish and maintain an environment of ethics and honesty for our employees, our citizens, our suppliers and anyone else with whom we have a relationship. To maintain such an environment requires the active assistance of every employee and manager every day.

Mansfield is committed to the deterrence, detection and correction of misconduct and dishonesty. The discovery, reporting and documentation of such acts provides a sound foundation for the protection of innocent parties, the taking of disciplinary action against offenders up to and including dismissal, where appropriate, the referral to law enforcement agencies when warranted by the facts, and the recovery of assets.

II. Zero Tolerance Policy

The Town of Mansfield has adopted a zero tolerance policy regarding fraud. No employee of the Town shall remove any Town of Mansfield assets from the property, misuse any Town assets for one's personal gain, or willfully misappropriate any Town of Mansfield asset. Any evidence supporting fraud, theft or embezzlement of Town of Mansfield assets and equipment may be subject to the following actions including but no limited to: suspension, termination, restitution and criminal charges. Any Town of Mansfield employee who is aware of fraud being committed against the Town by anyone shall immediately report such activity to any one of the following people:

- Your supervisor or manager; or
- The Assistant Town Manager; or
- The Town Manager; or
- In the case of an Ethics Code violation, the Town's Ethics Board.

III. Effective Date

This policy shall be effective immediately and shall remain in effect until revised or rescinded.

IV. Prohibited Acts

Fraud is defined as an intentional deception, misappropriation of resources or the manipulation of data to the advantage or disadvantage of a person or entity. Some examples of fraud include:

- A. Falsification of expenses and invoices
- B. Authorizing or receiving compensation for goods not received or services not performed
- C. Theft of cash or fixed assets
- D. Alteration or falsification of records
- E. Failure to account for monies collected
- F. Knowingly providing false information on job applications
- G. Authorizing or receiving compensation for hours not worked
- H. Embezzlement, bribery or conspiracy

V. Reporting of Fraud

- A. Employees shall read and understand this policy. Additionally, suspected or known fraudulent acts by employees shall be reported to their respective Department Head. If the employee has reason to believe that their Department Head may be involved, the employee shall notify the Assistant Town Manager or Town Manager directly.
- B. Supervisors shall a) communicate the provisions of this policy to all staff; b) take no action without consulting the Department Head; c) recommend appropriate disciplinary action when there is evidence of wrong-doing; and d) if any form of discipline is recommended, consult with the Assistant Town Manager.
- C. Department Heads shall communicate any suspected or known fraudulent act to the Assistant Town Manager. The Assistant Town Manager will notify the Town Manager of each reported incident and keep the Town Manager abreast of the investigation. Should a report of suspected fraud be made against the Town Manager, the Assistant Town Manager will notify the Mayor of each reported incident.
- D. In the case of an Ethics Code violation, employees may report suspected or known fraudulent act(s) to the Town's Ethics Board.
- E. All participants in the fraud investigation shall keep the details and results of the investigation confidential.
- F. Any employee reporting an act of fraud in good faith, or assisting, testifying or participating in a fraud investigation, acting in accordance with the requirement of this policy, shall not be subject to any adverse employment action unless it is determined the employee is culpable for such action and/or made an allegation knowing it was false. Examples of adverse employment action include, but are not limited to, discipline, suspension, threatening to discipline or suspend, coercion, acts of intimidation and firing.
- G. Any reports received by the Town of alleged inappropriate or illegal conduct of a Mansfield Board of Education employee or public official will be referred to the Mansfield Superintendent of Schools, but if the alleged conduct involves the Superintendent of Schools, the matter will be referred to the Chairperson of the Board of Education.

This Policy does not preclude a person from reporting suspected activity as described in Section I, including but not limited to criminal activity, to an outside appropriate agency with jurisdiction. Employees reporting such suspected activity to an outside appropriate agency are still required to report the suspected activity to one of the following: their supervisor or manager; the Assistant Town Manager; the Town Manager; or in the case of an Ethics Code violation, the Town's Ethics Board.

VI. False Allegations

False allegations of suspected fraud with the intent to disrupt or cause harm to another may be subject to disciplinary action up to and including termination of employment.

VII. Deterring Fraud and Corruption

The Town has established internal controls, policies and procedures in an effort to deter, prevent and detect fraud and corruption. Preferred candidates are subject to background investigations that may include but are not limited to criminal background check(s) pursuant to Chapter 7.2 of the Town's Personnel Rules. *Criminal* background checks are conducted on all preferred candidates for positions that collect money or have access to the Town's bank accounts, work with children, work with the frail/elderly, work in code enforcement, and public safety positions.

All vendors, contractors and suppliers must be active, in good standing and authorized to transact business in the Town of Mansfield. Vendors, contractors, and suppliers may be subject to screening, including verification of the individual or company's status as a debarred party.

When necessary, contractual agreements with the Town may contain a provision prohibiting fraudulent or corruptive acts and will include information about reporting fraud and corruption.

Town employees will periodically receive ethics, fraud and corruption awareness training. New employees will receive notification of this policy and the Town's Ethics Code dated May 29, 2012 and as may be amended from time to time, as part of their new hire intake.

VIII. Corrective Action

Final determination regarding action against an employee, vendor, recipient or other person found to have committed fraud or corruption will be made by the Town Manager.

Offenders at all levels of the Town will be treated in a similar manner regardless of their position or years of service with the Town. Determinations will be made based on a finding of facts in each case, actual or potential damage to the Town, cooperation by the offender and legal requirements.

Depending on the nature and severity of the offense or offenses, more serious discipline up to and including termination may be issued without lower levels of discipline having been issued. Discipline of employees will be issued in accordance with procedures outlined in their relevant collective bargaining agreements or the Town's Personnel Rules as applicable. When it is determined that fraudulent activity has occurred, appropriate legal action, either civil or criminal may be pursued.



**TOWN OF MANSFIELD
POLICY MEMORANDUM**

To: All Town Employees
From: Matthew W. Hart, Town Manager *M. W. Hart*
Date: February 17, 2016
Subject: Whistleblower Policy

I. Purpose

The Town of Mansfield is committed to providing a safe workplace with high standards of business and personal ethics in the conduct of their duties and responsibilities. It is the policy of the Town of Mansfield that employees and public officials shall be required to report verbally or in writing to their supervisor, department head, Assistant Town Manager, or Town Manager, evidence of activity by an employee or public official as it relates to their official duties as a Town of Mansfield employee or official, on or off duty, constituting:

- Illegal activity that is a violation of local, state or federal law, rule or regulation
- Fraud
- Theft
- Malfeasance or misfeasance of state, federal or local resources, such as but not limited to misuse of Town equipment or time;
- Substantial and specific danger to the public health and safety;
- Gross mismanagement, gross waste of monies, or gross abuse of authority as it relates to their official duties as a Town of Mansfield employee or public official;
- A violation of the Town's Ethics Code dated May 29, 2012, as it may be amended from time to time.
- A violation of any of the Town's policies as they may be amended from time to time.

Further, it is the policy of the Town of Mansfield that employees and public officials should be free of intimidation or harassment when reporting to management about matters of public concern, including participation in investigatory proceedings related to alleged inappropriate or illegal conduct of an employee or public official. This Policy is intended to encourage and enable employees and public officials to raise serious concerns with the Town.

II. Effective Date

This policy shall be effective immediately and shall remain in effect until revised or rescinded.

III. Applicability

This policy is applicable to employees and public officials of the Town of Mansfield. "Employees" and "public officials" are defined in the Town's Ethics Ordinance dated May 29, 2012, as it may be amended from time to time.

IV. Definition of Whistleblower

A whistleblower, as defined by this Policy, is an employee or public official of the Town of Mansfield who, in good faith, reports alleged inappropriate or illegal conduct of an employee or public official as it relates to their official duties for the Town of Mansfield, as stated in Section I, *Purpose*, of this Policy.

The whistleblower, unless that person is an assistant department head, department head, Assistant Town Manager, or Town Manager, has neither the authority, nor the responsibility, for investigating any questionable activity or for determining fault or corrective measures.

Anyone reporting a violation must act in good faith, and have reasonable grounds for believing that the information shared in the report indicates that a violation has occurred. However, if it is determined that the individual reporting the conduct has engaged in conduct that violates this policy, then that individual shall not be defined as a whistleblower. Therefore, whistleblower protections outlined in this Policy will not be afforded to them.

V. Reporting Procedure

If an employee or public official reasonably believes to have evidence of inappropriate or illegal conduct as stated in Section I, *Purpose*, of this Policy, they are required to report that conduct to any one of the following people:

- Their supervisor or manager; or
- Their Department Head; or
- The Assistant Town Manager or Town Manager;
- Or in the case of an Ethics Code violation, the Town's Ethics Board.

Any supervisor, manager, or department head who receives a report about alleged inappropriate or illegal conduct as stated in Section I, *Purpose*, of this Policy must immediately report it to the Town Manager or Assistant Town Manager. Should a report of inappropriate or illegal conduct as stated in Section I, *Purpose*, of this Policy be made against the Town Manager, the Assistant Town Manager will notify the Mayor of each reported incident.

Ignoring inappropriate or illegal conduct is not acceptable and failure to report such conduct as stated in Section I, *Purpose*, of this Policy may subject the employee or public official to disciplinary action.

This Policy does not preclude a person from reporting suspected activity as described in Section I, including but not limited to criminal activity, to an outside appropriate agency with jurisdiction. Employees reporting such suspected activity to an outside appropriate agency are still required to report the suspected activity to one of the following: their supervisor or manager; the Assistant Town Manager; the Town Manager; or in the case of an Ethics Code violation, the Town's Ethics Board.

VI. Investigating Information

The Town's policy is to take all reports of alleged inappropriate or illegal conduct seriously. All reports will be investigated promptly, impartially and discreetly. Once a complaint is received, an investigation will be undertaken immediately and all necessary steps taken to resolve the problem. Employees and public officials have a duty and are obligated to participate in investigations when asked. Investigation of such matters will usually entail conferring with involved parties and any named or apparent witnesses. Where investigation confirms that inappropriate or illegal conduct has occurred, the Town will promptly take corrective action. In all cases every effort will be made to ensure that the principles of due process of law are afforded to every respondent. In this context, depending on the circumstances, due process includes, but is not limited to, the

right to sufficient notice of the claims against the respondent and the opportunity to rebut the allegations of the complaint before an impartial decision maker.

When it is determined that corrective action is appropriate, discipline up to and including discharge from Town service, banning from Town facilities or property, or other appropriate legal action may be initiated by the Town. Depending on the nature and severity of the offense or offenses, more serious discipline up to and including termination may be issued without lower levels of discipline having been issued. Discipline of employees will be issued in accordance with procedures outlined in their relevant collective bargaining agreements or the Town's Personnel Rules as applicable.

Any reports received by the Town of alleged inappropriate or illegal conduct of a Mansfield Board of Education employee or public official will be referred to the Mansfield Superintendent of Schools, but if the alleged conduct involves the Superintendent of Schools, the matter will be referred to the Chairperson of the Board of Education.

VII. Confidentiality

Confidentiality and anonymity can't be guaranteed to employees and public officials who have made a report of alleged inappropriate or illegal conduct, nor to individuals participating in investigatory proceedings related to the alleged misconduct. However, matters will be handled as discreetly and respectfully as possible. Confidentiality will be maintained to the extent permissible under Connecticut Freedom of Information laws. Certain documentation related to the report or investigatory proceedings may be subject to disclosure in accordance with the Freedom of Information Act. Only documents or information required to be disclosed by state or federal law will be released to the requesting individual, agency, or other entity. Documentation will remain on file as required by state records retention requirements, after which time they may be destroyed once approval has been received from the State Records Administrator.

VIII. No Retaliation

The Town strictly forbids retaliation against employees who: meet the definition of "whistleblower" as defined in Section IV of this Policy; whom report, in good faith, alleged inappropriate or illegal conduct as stated in Section I, *Purpose*, of this Policy; or whom participate in internal or external investigations related to reports of alleged inappropriate or illegal conduct as stated in Section I, *Purpose*, of this Policy. The Town will not engage in any such retaliation nor will it permit employees or public officials to do so. The Town will not tolerate retaliatory citizen behavior/actions towards employees or public officials whom have reported in good faith alleged inappropriate or illegal conduct or participated in a related investigation. All employees and public officials shall report all instances of retaliation to one of the individuals listed in Section V of this Policy.

IX. Resolution

When the investigation is complete, the employee or public official who initiated the report will be informed, to the extent appropriate and allowable by law, of the results of the investigation. If it is determined that inappropriate or illegal conduct has occurred, the Town will act promptly to correct or eliminate the offending or illegal conduct, and if appropriate, will impose disciplinary action, up to and including termination.

X. False Reports

Disciplinary action up to and including termination may be imposed if the Town determines that a false report was made under this Policy. Depending on the nature and severity of the offense or offenses, more serious discipline up to and including termination may be issued without lower levels of discipline having been issued. Discipline of employees will be issued in accordance with procedures outlined in their relevant collective bargaining agreements or the Town's Personnel Rules as applicable.

Fee Waiver Analysis



March 3, 2016

Submitted by Staff to Finance Committee

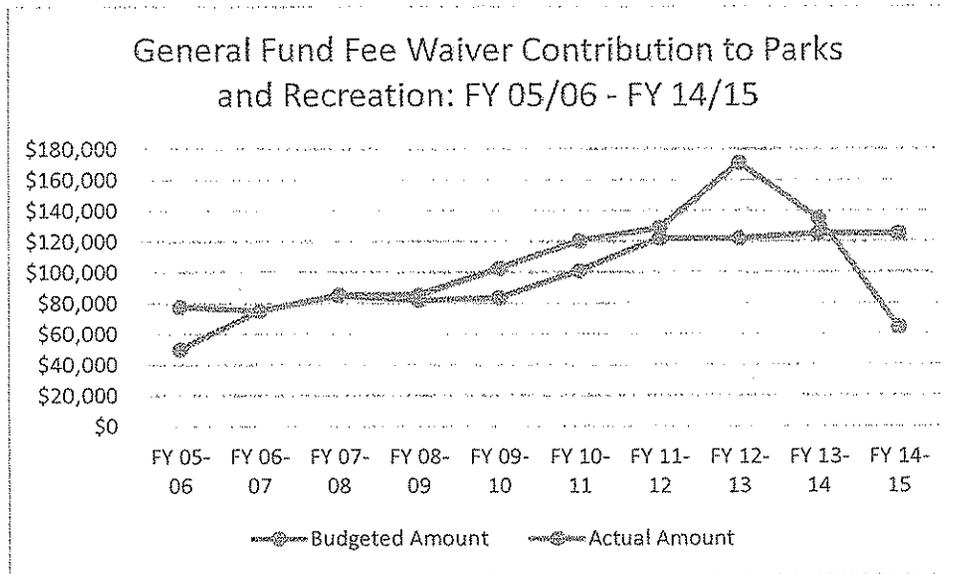
I. BACKGROUND

Due to a staffing transition in Human Services, beginning with FY 13/14, the Town Manager's Office began providing oversight and general administration to the Fee Waiver Program. The day-to-day management of the Program was reassigned from Human Services to Parks and Recreation at that same time.

During FY 13/14 the Town Council established an ad hoc committee to review the Fee Waiver Program. Prior to FY 13/14, the Fee Waiver Program consistently exceeded budget and faced escalating costs that significantly out-paced inflation. Expenses peaked in FY 12/13, at \$170,725, \$48,705 over budget, and an increase of 32.7% in program expenses over the prior year.

Fee Waiver Amounts: Budget v. Actual 2005-2015 ¹				
Year	Budgeted Amount	Actual Amount	Difference Budget v. Actual	% Increase/ Decrease
FY 05/06	\$50,000	\$77,649	-\$27,649	--
FY 06/07	\$75,000	\$75,000	\$0	-3.4%
FY 07/08	\$85,000	\$85,254	-\$254	13.7%
FY 08/09	\$81,660	\$85,260	-\$3,600	0.0%
FY 09/10	\$83,500	\$102,650	-\$19,150	20.4%
FY 10/11	\$100,910	\$120,317	-\$19,407	17.2%
FY 11/12	\$122,020	\$128,683	-\$6,663	7.0%
FY 12/13	\$122,020	\$170,725	-\$48,705	32.7%
FY 13/14	\$125,000	\$134,646	-\$9,646	-21.1%
FY 14/15	\$125,000	\$64,197	\$60,803	-52.3%
AVERAGE	\$97,011	\$104,438	-\$7,427	1.6%
MEDIAN	\$92,955	\$93,955	-\$8,154	7.0%

¹ Source for charts: Town of Mansfield General Ledger



In April 2014 the Town Council amended the Fee Waiver Ordinance. The Council defined the purpose of the Fee Waiver Program to provide access to municipal services for residents of all ages with very low and extremely low incomes. Significant changes to the Ordinance are:

- Limits eligibility of the Fee Waiver Program to residents who reside in Mansfield more than six months per year.
- Utilizes HUD criteria for “extremely low” and “very low” income in Mansfield to determine eligibility. This criteria takes into account income and household size.
- Eliminates the automatic eligibility qualification for individuals who are Medicaid eligible, since there are reasons other than income based that a person can qualify for Medicaid.
- Changed the 90% Fee Waiver level to a 75% Fee Waiver level.
- Implemented an annual cap per eligible household based on household size. Annual caps are established by Council resolution and adjusted as needed.
- The Program can be suspended once the budgeted allocation has been exhausted. This prevents a program deficit from occurring.
- Strengthened the review of applications by requiring supporting documentation such as tax returns and W-2’s to verify income and household size.
- Clarified that changes in income and household size that make participants ineligible will result in a change in status for the current program year.
- Clarified confidentiality of documents based on both FOI and records retention statutes.
- Modified municipal services for which the Fee Waiver is applicable.

The Fee Waiver Program offers certain municipal services (Parks and Recreation programming, refuse collection and disposal, Senior Center programming, and ambulance

services²) at a reduced cost for eligible participating households in Mansfield. The Fee Waiver Program is financed through the General Fund of the Town of Mansfield.

II. METHODOLOGY

A review of both quantitative and qualitative data occurred. For quantitative data the following was reviewed:

- Fee Waiver Program financials from the General Ledger and Parks and Recreation software database;
- Fee Waiver Program aggregate participation data (number of households, number of household members, Fee Waiver levels) from centralized tracking database;
- Fee Waiver Program participant data for summer camp and before/after school care program from Parks and Recreation software database;
- Fee Waiver Program maximum cap data from Parks and Recreation software database.

Informal interviews and anecdotal testimony was provided by both staff involved with the Program and some Program participants (current and former). It should be noted that extensive qualitative data gathering such as focus groups, a non-scientific survey, or formal 1-on-1 interviews did not occur. In order to engage in this sort of effort, extensive resources (staff time) would be required. If the Council determines it wants that level of qualitative data gathering, a discussion as to how that might best be accomplished will need to occur (i.e. intern time, consultant).

A review of the administrative (FY 13/14) and ordinance changes (FY 14/15) was also completed.

III. FINDINGS

Following an initial assessment and review of the Fee Waiver Program during summer 2013, staff in the Town Manager's Office and Parks and Recreation made the following administrative changes and improvements to the Program to ensure consistency with provisions of the Ordinance, to control escalating costs, and to improve the application process:

- New application form and packet were issued.
 - Revised application more accurately captures various sources of income (i.e. pension, rental income, alimony), not just wages.
- Created one central point of intake for applications, which is currently the Administrative Services Specialist in Parks and Recreation.
- Improved accessibility to application form and packet (increased physical locations, stronger web presence, Mansfield Minute, etc.)
- Improved recordkeeping to meet public records retention requirements.
- Created central database of approved applicants which includes all eligible household members.
 - Restricted number of staff members have access to this database so they can verify fee waiver eligibility, eligible household members, and track fee waiver use by household.

² For a detailed listing of eligible services please reference Section 122-10 of the Fee Waiver Ordinance.

- Eliminated the fee waiver “paper certificate” system for taking trash to the Transfer Station.
- In addition to standard curbside collection, limited use of fee waiver for trash collection as follows:
 - No more than four extra curbside trash bags per week.
 - No more than four Transfer Station trash bags per week.
 - Bulk waste fees may only be waived when a legitimate public health or hoarding situation has been deemed to exist.
- Transfer Station now has the ability to track the value of fee waivers going through the Transfer Station through cash register receipts.
- Collector’s Office now tracks and reports (on a quarterly basis) the value of fee waivers issued for residential trash pick-up.
- Residents can only use their fee waiver for trash service at their primary residence. They can’t use fee waivers for trash service at properties they own but do not live in (i.e. rental properties).
- Security deposit for trash service is no longer waived at 100%.
- A 100% fee waiver for trash service for “disabled” residents was discontinued.

Following implementation of the administrative changes during program year 13/14, a reduction in direct Fee Waiver Program expenses of \$36,079 occurred for Parks and Recreation programming. The Parks and Recreation Fund was reimbursed \$134,646 by the General Fund for fee waivers for program year 13/14. They were reimbursed for direct costs associated with programming only, and not staff time spent administering the Fee Waiver Program.

Regrettably, prior to FY 13/14 fee waivers for the Solid Waste Fund and the Senior Center Program Fund were not tracked. However, through anecdotal evidence provided through staff interviews, the amount of fee waivers issued at the Transfer Station decreased dramatically with the elimination of the “paper certificate” system and other implemented administrative and Ordinance changes. While the true cost of Solid Waste fee waivers prior to FY 13/14 is unknown, prior to the administrative program changes implemented in FY 13/14, Solid Waste fee waivers were likely in excess of \$17,647 annually. For FY 13/14 Solid Waste fee waivers (curbside collection and Transfer Station fees) were estimated at \$17,647. With implementation of the Ordinance changes, Solid Waste fee waivers reduced by \$10,803, or decreased by 61.2%, to \$6,844 for FY 14/15. Senior Center Program Fund fee waivers were minimal in both years, estimated at \$593 and \$219 respectively. Since fee waivers for the Solid Waste Fund and Senior Center Program Fund were not being tracked prior to FY 13/14, they were not being budgeted. As a result, reimbursements to the Solid Waste Fund and Senior Center Program Fund did not begin until FY 14/15.

Fee Waivers – A Three Year Summary

	FY 2012/2013	FY 2013/2014	FY 2014/2015
Parks and Recreation Fund	\$170,725	\$134,646	\$64,197
Solid Waste Fund	Unknown	\$17,647	\$6,844
Senior Center Program Fund	Unknown	\$593	\$219
TOTAL	\$170,725+	\$152,866	\$71,260

Note: Costs are for fee waivers only and does not include staff time to administer the program.

Prior to FY 13/14 a centralized tracking database for the Fee Waiver Program did not exist. However, for years 13/14 and 14/15 very good data exists on number of participating households, number of participating members, and the spending trends of those members. Prior to FY 13/14 Parks and Recreation, through their RecTrac software had some data available on Parks and Recreation Fee Waiver Program participants.

Following the implementation of the approved Ordinance changes in April 2014, the following can be reported for Program Year 2014/2015. FY 14/15 saw the lowest amount spent on the Fee Waiver Program in over a decade; implemented changes clearly had an effect on Program spending and participation. The Ordinance changes implemented in FY 14/15 resulted in a reduction of \$70,449 in Fee Waiver spending.

Fee Waiver Participation at a Glance: FY 13/14 v. FY 14/15

	FY 13/14	FY 14/15	% Increase/Decrease
Total # of households approved	219	155	-29.2%
Total # of approved household members	700	451	-35.6%
Total # approved for 90% Fee Waiver	191	--	--
Total # approved for a 75% Fee Waiver	--	96	--
Total # approved for a 50% Fee Waiver	28	59	25.2%
Total # of households that reached maximum cap	--	20	--
% of participating households reaching maximum cap	--	12.9%	--

Overall households participating in the Program decreased by approximately 30% in FY 14/15. Through staff observation and assessment, a number of factors are believed to have contributed to the decrease in the number of approved households. One believed factor is the elimination of the automatic Program eligibility for Medicaid participants. Not all Medicaid participants qualify on the basis of income, and there may have been higher wage earners disqualified from the Fee Waiver Program under the new regulations. Another believed factor is the more thorough screening process, which includes providing proof of all sources of income – not just wages. It is believed that when all sources of income are combined, some former Program participants no longer qualify for the Program and do not meet the definition of an “extremely low” or “very low” income person in Mansfield.

Due to the more thorough screening process, the number of applicants approved for the second 50% tier increased significantly over the previous year, from 12.9% of approved

households to 38.1% of approved households. Staff also believes that using HUD's definition of an "extremely low" or "very low" income person in Mansfield as opposed to the income guidelines for the school reduced and free lunch program impacted this statistic. Implementation of the HUD income definitions expanded eligibility for the Program at the 50% Fee Waiver level for households with 1-3 members. Some residents who were previously not eligible now qualify for the Program as a result.

Another significant change to the Program was modifying the 90% Fee Waiver level to 75%. Participants that meet the 75% Fee Waiver level are required to pay 25% of the program/service fee, or 25 cents on every 1 dollar.

One significant implemented change in 14/15 was the household cap. The maximum cap limits the amount of Fee Waiver dollars any one household can receive. The cap is based on household size. Prior to implementation of the maximum cap, there was a concern that some outlier households were disproportionately receiving a benefit not available to the general taxpayers and thus raising equity concerns. Only 12.9% of participating households reached the annual cap in 14/15. In comparison, based on available FY 12/13 Parks and Recreation data, 24.1% of households would have exceeded the cap had it been in place at the time. This is an estimated 50% reduction in the number of households that reached the cap. Limited qualitative evidence suggests that implementation of the cap did not prohibit individuals with exigent circumstances from being able to access municipal services in most instances; quantitative data does suggest however that participants were required to make choices about which programs they participated in. Through other programs, such as the Recreation Scholarship Fund, the Campership Fund, and the Human Services Special Needs Fund, staff was able to provide additional assistance to many residents with exigent circumstances.

Staff has reported that the two programs that saw a reduction in Fee Waiver participation due to implementation of the household cap were Summer Camp and the Before and After School Care Program. Upon implementation of the household cap, Summer Camp (not including specialty camps) saw a reduction in fee waivers of \$19,174 or a decrease of 60%. Interestingly, when the Ordinance changes were made, the cap on four summer camp sessions per year per child were removed. The decrease in Summer Camp fee waiver utilization, despite the per child cap being removed, indicates that implementation of the fee waiver household cap did cause participants to make choices about the services most needed by their household.

The Town Parks and Recreation Department took over management of the Before and After School Care Programs at Southeast and Vinton Elementary Schools in August 2012 following the dissolution of a non-profit organization that had run those on-site programs for many years. Prior to FY 12/13, the Department only managed a small before and after school care program on-site at the Mansfield Community Center. Therefore, prior to August 2012 the programs at Vinton and Southeast were not Fee Waiver eligible. Part of the dramatic increase in utilized fee waivers during FY 12/13 was due to the Town taking over management of the Southeast and Vinton Elementary Schools Before and After School Care Programs. In FY 12/13, \$23,273 in fee waivers were granted for the Before and After School Care Programs; this was a **new unbudgeted** cost to the Fee Waiver Program as prior to FY 12/13 no before and after school care program fee waivers were granted. The Fee Waiver Program was \$48,705 over budget in FY 12/13, and the Before and After School Program contributed to 47.8% of the Fee Waiver Program budget overrun.

Dollar Value of Fee Waivers Granted for Before and After School Care Programs			
Fiscal Year	Fee Waivers Granted	\$ Increase/Decrease	% Increase/Decrease
FY 11/12	\$0	--	--
FY 12/13	\$23,273	\$23,273	--
FY 13/14	\$25,974	\$2,701	11.6%
FY 14/15	\$11,806	-\$14,168	-60.9%

Lastly, the Council redefined its purpose of the Fee Waiver Program. Council redefined the purpose of the Fee Waiver Program to provide access to municipal services for residents of all ages with very low and extremely low incomes. When initially conceived in the 1990's the Fee Waiver Program was intended to assist low income children in gaining access to and participating in Parks and Recreation programming such as summer camp and swim lessons. In reality, residents of all ages benefited from and participated in the Fee Waiver Program as amendments to the Ordinance were adopted over the years. The current purpose of the Program more accurately reflects the Program participants – Mansfield residents of all ages – and the breadth of municipal services being accessed through reduced user fees.

III. KEY ISSUES

KEY ISSUE 1: STAFF CAPACITY TO PROVIDE ADMINISTRATION OF THE FEE WAIVER PROGRAM

The Parks and Recreation Administrative Services Specialist spends approximately 15-18 hours per week on Fee Waiver administration during the renewal season months of June and July. For the remainder ten months of the year, the Administrative Services Specialist typically spends 5 hours per week on Fee Waiver administration. Typical administrative tasks include: processing, screening, and approving/denying fee waiver applications; authorizing fee waivers; maintaining the centralized database on approved fee waiver program participants; tracking program expenditures and household caps; and providing assistance and guidance to program applicants and participants. The cost for the Administrative Services Specialist to administer the Fee Waiver Program is \$16,237-\$17,490 this fiscal year, inclusive of all benefits related costs. Currently the administrative expenses related to administering the Program have been absorbed by the Parks and Recreation Fund. Although the Administrative Services Specialist position has always been funded by the General Fund, the tasks associated with administering the fee waiver program take away time from other activities. Consequently the department has had to increase its cost for part-time personnel with no added contribution from the General Fund for this responsibility.

The day-to-day management of the Fee Waiver Program was transferred from Human Services to Parks and Recreation during a staffing transition in summer 2013. As currently structured, Human Services does not have the resources or the capacity to absorb administration of the Fee Waiver Program. One of the potential benefits of having Human Services staff administer the Program includes centralized screening for all or most eligibility based programs for the Town such as the Fee Waiver Program, holiday programs, and campership program. A centralized point of intake for applicants for all eligibility based

programs could reduce redundancy in program screening, improve customer service, and free up valuable time of higher paid social workers.

Staff has analyzed no fewer than five options for providing administration of the Fee Waiver Program. However, most options would require an additional General Fund contribution to support administration of the Program. Ultimately, staff may need to seek additional General Fund resources from the Council in order to properly manage the Program.

KEY ISSUE 2: CONSIDERATION OF CREATING A 25% FEE WAIVER LEVEL FOR LOW INCOME RESIDENTS

The Town Council and ad hoc Committee on the Fee Waiver Ordinance contemplated creating a third Fee Waiver level at 25%. The 25% level would be for residents meeting HUD's definition of "low income." Often times these residents do not qualify for aid based programs, but do not have discretionary income available to be able to participate in recreation programs. If significant Program savings were achieved, the Council wanted to revisit the issue of creating the 25% Fee Waiver level. Since Program expenditures have been reduced in half, Council may want to revisit the policy conversation regarding creation of the 25% Fee Waiver level for residents meeting HUD's definition of low income in Mansfield.

KEY ISSUE 3: IMPACT OF REDUCTION IN FEE WAIVER PROGRAM SPENDING ON PARKS AND RECREATION FUND

The administrative changes in FY 13/14 resulted in a loss in Fee Waiver revenue to the Parks and Recreation Fund of \$36,079. The Ordinance changes implemented in FY 14/15 resulted in a loss of an additional \$70,449 in revenue to the Parks and Recreation Fund. In two years, this has resulted in a total loss of \$106,528 in revenue for the Parks and Recreation Fund. This loss in revenue is having a negative impact on the Fund's ability to remain in a non-deficit position. Due to the projected operating budget deficit for Parks and Recreation for 15/16, operational and service reductions and/or changes will need to be discussed, reviewed, and implemented in order for the Fund to remain financially healthy.

VI. NEXT STEPS

DETERMINE LONG TERM HOME BASE FOR FEE WAIVER PROGRAM ADMINISTRATION/ALLOCATION OF RESOURCES

Management needs to make an assessment as to the best "home base" for administration of the Fee Waiver Program. It is important to dedicate resources to properly manage this Program. With proper management of this Program, expenses have been reduced by \$106,528 in two years. To administer this Program, various reviewed options range in cost from \$5,794 to \$29,132, still resulting in a savings of \$77,396 - \$100,734 from the peak of Fee Waiver spending in FY 12/13, prior to any administrative or Ordinance changes being made to the Program.

COUNCIL POLICY CONVERSATION ON 25% FEE WAIVER LEVEL FOR LOW INCOME RESIDENTS

Due to the significant savings achieved, Council should be encouraged to revisit their policy conversation as to whether or not they want to implement a 25% Fee Waiver Level for those Mansfield residents meeting HUD's definition of "low income." The ad hoc Committee on Fee Waivers could be reconvened to look at this issue more closely, ultimately making a

recommendation to the Council as a whole by March 2016. Should the Council as a whole support implementation of a 25% Fee Waiver level for low income residents, an amendment to the Ordinance would need to occur. In order for the 25% Fee Waiver Level to be in effect for FY 16/17, the Council would need to amend the Ordinance by the end of April 2016. This timeframe would enable staff to properly notify (possible) Program participants and update forms and marketing materials for the “renewal season.”

COUNCIL POLICY CONVERSATION ON COST RECOVERY POLICY FOR PARKS AND RECREATION

Lastly, the savings achieved in the Fee Waiver Program have resulted in a total loss of \$106,528 in revenue for the Parks and Recreation Fund over the last two years, impacting the financial health of the Fund. At this time, the General Fund only supports 19.9%³ of the total Parks and Recreation Department budget; comparative to many other communities, this is quite low and the Department’s cost recovery percentage through user fees is quite high. The Council should be encouraged to have a policy conversation regarding “Cost Recovery” for Parks and Recreation programs more generally. The following could be considered:

- Should there be a greater General Fund Contribution to support the Parks and Recreation Department as a whole? If so, what is the percentage of the Department’s total budget that should be paid for by the General Fund? Ultimately, this is a value based decision that should be made by the policy body, the Town Council.
- Should there be a greater General Fund Contribution to support youth, senior, and/or adult programming, or some combination thereof? If so, what should the cost recovery percentage be for those areas of programming? Does the Council place a greater cost recovery burden on adult programming, compared to programming for youth and seniors? Ultimately, this is a value based decision that should be made by the policy body, the Town Council.
- Should the Council be more supportive of funding youth programming in Mansfield, thus keeping fees down and providing access to a greater number of children? Should the Council, through the General Fund, pay for the salary and benefits of the Recreation Coordinator position that administers youth programming such as summer camp, the Teen Center, and youth sports programs such as basketball? Ultimately, this is a value based decision that should be made by the policy body, the Town Council.

Government Finance Officers Association (GFOA) has sample cost recovery policies available for review. Staff will be working on gathering and analyzing internal and external data, as well as sample policies, in order to aid Council in this conversation. The concept of establishing cost recovery guidelines and the General Fund contribution to Parks and Recreation was broached by staff to the Council in its report dated August 27, 2007 and entitled *Building a Sustainable Budget for the Mansfield Community Center, Recreation Fund, and Parks and Recreation Department*. At that time, however, the Council did not have a policy conversation or further pursue the concept of appropriate cost recovery levels for Parks and Recreation programming.

³ As of 6/30/15 total General Fund revenue to the Parks and Recreation Fund was \$455,430 and the total expenditures were \$2,294,734.

MANSFIELD PARKS & RECREATION DEPARTMENT FEE WAIVER COMPARISONS

FEE WAIVER YEARLY COMPARISONS	FY 15/16	FY 14/15	FY 13/14	FY 12/13	FY 11/12	FY 10/11	FY 09/10	FY 08/09	FY 07/08	FY 06/07	FY 05/06	FY 04/05	FY 03/04	FY 02/03	FY 01/02	FY 00/01	FY 99/00	FY 98/99	FY 97/98	FY 96/97	FY 95/96	FY 94/95	FY 93/94	FY 92/93		
SUMMER																										
CC Swim Lessons	1,582.55	885.25	2,972.67	2,704.41	3,434.00	2,295.25	2,319.00	3,959.50	3,289.00	6,124.20	4,379.70	655.00														
CC Fitness	402.00	298.00	156.90	1,313.07	984.50	1,281.20	441.40	in swim	in swim	in swim	in swim	in swim														
CC Memberships	7,217.48	4,350.90	11,796.68	11,795.79	12,865.00	13,983.97	11,771.00	9,714.00	9,650.00	7,717.40	4,087.12	1,405.39														
Day Camp	19,438.06	12,565.67	31,742.80	36,220.60	30,904.00	27,127.65	31,891.10	23,208.40	20,140.00	20,437.30	21,877.90	22,127.40	20,829.65	25,355.00	19,617.00	26,097.00	31,003.40	22,663.46	27,124.50	26,300.00	16,972.50	16,716.00	12,247.50	6,940.00		
Specialty Camps	4,970.72	2,580.44	4,526.00	9,617.40	4,276.00	6,093.50	2,212.50	in camp	in camp	in camp	in camp	in camp	in camp	in camp												
Aquatics													1,368.00	706.00	606.50	959.00	1,038.00	658.00	2,559.00	3,426.00	1,422.00	1,275.00	527.00			
Youth Programs	1,455.50	1,053.50	350.50	94.50	104.00	120.60	1,066.20	606.60	300.00	85.50	89.30	420.00	2,589.26	585.00	382.50	581.00	1,289.50	872.50	909.00	390.00	740.00	315.00	565.00	105.00		
Adult Programs	0.00	0.00	28.00	175.00	40.50	0.00	350.10	542.70	119.00	274.00	85.50	548.80	549.55	1,093.00	300.00	336.50	512.50	539.00	848.00	484.00	530.00	225.00	35.00	120.00		
Pond Passes	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	18.00	18.00	0.00	71.00	0.00	90.00	50.00	102.50	187.50	187.50	135.00	205.00	0.00	180.00	165.00	80.00		
Special Events	0.00	33.75	0.00	13.50	9.00	0.00	0.00	9.00	0.00	0.00	0.00	0.00	32.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	25.00	0.00	0.00	0.00		
	35,046.31	21,770.59	51,583.95	61,934.27	52,607.00	50,892.17	50,051.30	38,040.30	33,616.00	34,656.40	30,519.52	25,227.59	24,000.48	28,491.00	21,055.50	27,723.50	33,951.90	26,300.46	29,874.50	29,938.00	21,693.50	18,856.00	14,287.50	7,772.00		
FALL																										
CC Swim Lessons	972.25	974.25	2,037.01	2,619.00	2,948.40	2,916.50	2,812.90	3,142.40	2,507.50	4,763.90	6,259.19	5,259.89	1,887.80													
CC Fitness	0.00	389.50	921.60	2,102.84	2,011.45	2,195.71	1,634.40	in swim	in swim	in swim	in swim	in swim														
CC Memberships	7,165.18	5,706.99	11,720.08	21,909.58	10,375.13	12,844.00	11,774.00	3,112.15	5,950.00	2,900.50	5,810.50	6,585.07	starts in camps													
Camps	108.50	427.50	675.00	1,278.00	1,197.00	760.50	528.90	in youth	in youth	in youth	in youth	in youth	in youth	in youth												
BASF	2,165.06	5,228.83	10,267.38	8,168.13																						
Youth Programs	924.95	923.50	1,256.00	1,730.80	5,166.54	8,716.53	5,711.50	10,678.14	8,289.05	5,666.70	384.20	2,537.40	2,961.50	3,483.50	3,902.50	2,772.00	2,400.50	1,605.50	1,287.00	2,228.00	1,647.50	1,739.00	872.50	386.00		
Adult Programs	0.00	108.00	385.10	306.00	178.10	198.90	182.70	424.80	505.50	211.50	36.00	141.00	434.00	1,350.00	1,122.50	587.00	1,048.00	255.50	306.00	918.00	330.00	87.50	35.00	30.00		
Aquatics														420.00	432.00	504.00	640.00	593.50	490.00	665.00	540.00	330.00	330.00	176.00		
Special Events	0.00	20.00	162.00	310.00	352.50	297.00	81.00	67.50	94.50	108.50	92.20	11.30	25.20	16.00	14.00	0.00	427.00	0.00	58.00	26.00	0.00	0.00	0.00	0.00		
	11,336.54	13,776.57	27,424.17	38,424.35	22,229.12	27,929.14	22,725.40	17,424.99	17,346.55	13,851.10	12,582.09	14,534.66	5,306.50	5,269.50	5,471.00	3,863.00	4,515.50	2,454.50	2,151.00	3,837.00	2,517.50	2,136.50	1,237.50	592.00		
WINTER																										
CC Swim Lessons		614.25	2,166.02	1,516.58	2,897.00	1,849.50	2,007.50	3,593.75	3,418.51	5,063.00	6,222.73	5,261.39	1,444.60													
CC Fitness		0.00	570.70	2,144.98	1,687.50	2,044.06	1,540.53	in swim	in swim	in swim	in swim	in swim														
CC Memberships		4,913.82	13,031.77	16,380.00	16,380.00	11,612.33	11,367.42	11,410.00	11,540.99	9,392.13	13,995.00	12,628.13	starts in camps													
Camps		322.75	832.50	756.00	1,098.00	393.90	3,037.20	in youth	in youth	in youth	in youth	in youth	in youth	in youth												
BASF		3,788.71	5,828.05	7,370.00																						
Youth Programs		416.75	1,462.70	1,504.50	4,452.19	6,434.58	4,850.97	9,852.15	8,239.40	5,250.35	2,312.50	3,706.02	3,592.40	7,653.50	4,808.10	3,112.50	2,418.50	3,458.50	4,198.25	2,076.80	3,146.00	2,259.50	1,338.50	650.00		
Adult Programs		36.00	195.45	227.73	323.50	384.50	1,329.20	607.50	392.70	46.20	134.00	90.00	240.30	594.00	55.00	138.00	738.00	611.00	1,328.00	727.00	285.00	0.00	0.00	75.00		
Aquatics														408.00	498.00	147.00	625.00	319.00	489.50	630.00	350.00	330.00	270.00	250.00		
Special Events		20.00	323.00	197.50	258.00	239.00	162.50	88.40	56.70	54.40	53.10	116.10	11.50	0.00	8.00	0.00	8.00	0.00	10.00	13.00	0.00	0.00	0.00	0.00		
Youth Basketball		1,032.65	2,003.00	1,694.50	1,688.00	1,237.00	1,357.50	in youth	in youth	in youth	in youth	in youth	in youth	1,024.00	580.00	305.00	425.00	482.50	587.50	422.50	335.00	150.00	0.00	0.00	175.00	
	0.00	11,144.93	26,413.19	31,793.79	28,764.19	24,194.87	25,652.82	25,531.80	23,648.30	19,806.08	22,717.33	21,801.64	6,313.80	9,235.50	5,672.10	3,822.50	4,270.00	4,976.00	6,448.25	3,781.00	3,931.00	2,589.50	1,608.50	1,150.00		
SPRING																										
CC Swim Lessons		1,384.00	2,449.16	2,181.16	3,952.10	2,791.44	2,135.00	3,766.27	2,070.74	3,582.60	5,541.90	5,950.32	1,958.00													
CC Fitness		128.80	1,871.30	1,915.41	1,340.00	1,980.30	2,102.57	in swim	in swim	in swim	in swim	in swim														
CC Memberships		6,830.49	10,435.12	14,454.13	9,508.00	7,156.11	11,510.00	8,945.36	9,305.10	4,846.50	8,445.00	5,932.50	starts in camps													
Camps		6,102.17	3,267.00	4,797.00	5,457.00	2,619.00	3,568.90	in youth	in youth	in youth	in youth	in youth	in youth	in youth												
BASF		2,790.70	9,878.75	7,735.15																						
Youth Programs		125.34	829.60	1,048.70	3,413.61	5,899.15	3,722.73	8,564.40	6,453.30	5,364.00	3,921.10	3,312.10	2,675.25	1,470.50	5,265.50	3,516.50	3,440.50	2,043.00	3,459.00	1,941.50	3,167.50	1,641.00	1,650.00	1,157.00		
Adult Programs		107.00	403.80	340.00	630.30	255.80	436.50	574.20	324.60	92.00	370.90	730.45	169.00	29.00	682.00	916.00	637.00	398.25	738.00	829.00	365.00	410.00	105.00	50.00		
Aquatics														0.00	0.00	0.00	0.00	350.00	576.00	480.00	270.00	300.00	360.00	0.00		
Special Events		36.25	90.00	112.50	107.10	48.00	112.50	0.00	45.00	5.00	63.30	159.90	65.40	0.00	49.00	13.00	60.00	9.00	20.00	0.00	0.00	0.00	0.00	0.00		
Youth Baseball/Soft		0.00	0.00	0.00	0.00	233.50	in youth	in youth	in youth	in youth	in youth	in youth	in youth	175.50	335.00	370.00	200.00	650.00	882.50	580.00	662.50	525.00	655.00	370.00	315.00	
	0.00	17,504.93	29,224.53	32,584.05	24,408.11	20,983.30	23,588.20	19,850.23	18,198.74	13,890.10	18,342.20	16,085.27	5,043.15	1,834.50	6,366.50	4,645.50	4,787.50	3,482.75	5,373.00	3,913.00	4,327.50	3,006.00	2,485.00	1,522.00		
TOTAL	46,382.85	64,197.02	134,645.84	164,736.46	128,008.42	123,999.46	122,017.72	100,847.32	82,709.59	82,802.68	84,161.14	77,649.16	40,665.93	44,830.50	38,565.10	40,05										



Mansfield Parks & Recreation

Family, Fitness & Fun!

FEE WAIVER QUALIFIERS AT 50%

	FULL COST OF CAMP (ALL 8 SESSIONS)	ANNUAL CAP PER HOUSEHOLD	PARTIPANTS PORTION	MAX. SESSIONS OF CAMP/BASF ATTENDING PRIOR TO CAP BEING REACHED (APPROX)
<u>CAMP MANSFIELD</u>				
Camp Mansfield Cost for 1 child (per season)	\$1,365.04	\$650.00	\$650.00	7 sessions
Camp Mansfield Cost for 2 Children (per season)	\$2,730.08	\$975.00	\$975.00	5 sessions
Camp Mansfield Cost for 3 Children (per season)	\$4,095.12	\$1,300.00	\$1,300.00	5 sessions

Camp Mansfield fees above are figured on the Exploreres Section (grades k-6) which is a 9am-3pm camp day
 Fees were calculated by taking the average (\$170.63) of sessions 1 thru 8 (some weeks have more days than others)
 All estimates are based upon fees for 1 to 3 children attending Camp Mansfield (9am-3pm)
 NO BEFORE/AFTER CAMP CARE HAS BEEN CALCULATED INTO FIGURES

PM AFTERSCHOOL CARE

Afterschool (pm) cost for 1 child per year (10 months)	\$2,483.00	\$650.00	\$650.00	5 months
Afterschool (pm) cost for 2 children per year (10 months)	\$4,966.00	\$975.00	\$975.00	3 months
Afterschool (pm) cost for 3 children per year (10 months)	\$7,449.00	\$1,300.00	\$1,300.00	3 months

Fees were calculated by taking the average (\$248.30) of August thru June (some months have more days than others)

AM AFTERSCHOOL CARE

Afterschool (am) cost for 1 child per year (10 months)	\$1,974.00	\$650.00	\$650.00	6 months
Afterschool (am) cost for 2 children per year (10 months)	\$3,948.00	\$975.00	\$975.00	4 months
Afterschool (am) cost for 3 children per year (10 months)	\$5,922.00	\$1,300.00	\$1,300.00	4 months

Fees were calculated by taking the average (\$197.40) of August thru June (some months have more days than others)



Mansfield Parks & Recreation

Family, Fitness & Fun!

FEE WAIVER QUALIFIERS AT 75%

	FULL COST OF CAMP (ALL 8 SESSIONS)	ANNUAL CAP PER HOUSEHOLD	PARTIPANTS PORTION	MAX. SESSIONS OF CAMP/BASF ATTENDING PRIOR TO CAP BEING REACHED (APPROX)
<u>CAMP MANSFIELD</u>				
Camp Mansfield Cost for 1 child (per season)	\$1,365.04	\$650.00	\$162.50	4 SESSIONS
Camp Mansfield Cost for 2 Children (per season)	\$2,730.08	\$975.00	\$243.75	3 SESSIONS
Camp Mansfield Cost for 3 Children (per season)	\$4,095.12	\$1,300.00	\$325.00	3 SESSIONS

Camp Mansfield fees above are figured on the Exploreres Section (grades k-6) which is a 9am-3pm camp day
 Fees were calculated by taking the average (\$170.63) of sessions 1 thru 8 (some weeks have more days than others)
 All estimates are based upon fees for 1 to 3 children attending Camp Mansfield (9am-3pm)
 NO BEFORE/AFTER CAMP CARE HAS BEEN CALCULATED INTO FIGURES

<u>PM AFTERSCHOOL CARE</u>				
Afterschool (pm) cost for 1 child per year (10 months)	\$2,483.00	\$650.00	\$162.50	3 MONTHS
Afterschool (pm) cost for 2 children per year (10 months)	\$4,966.00	\$975.00	\$243.75	2 MONTHS
Afterschool (pm) cost for 3 children per year (10 months)	\$7,449.00	\$1,300.00	\$325.00	2 MONTHS

Fees were calculated by taking the average (\$248.30) of August thru June (some months have more days than others)

AM AFTERSCHOOL CARE

Afterschool (am) cost for 1 child per year (10 months)	\$1,974.00	\$650.00	\$162.50	4 MONTHS
Afterschool (am) cost for 2 children per year (10 months)	\$3,948.00	\$975.00	\$243.75	3 MONTHS
Afterschool (am) cost for 3 children per year (10 months)	\$5,922.00	\$1,300.00	\$325.00	2 MONTHS

Fees were calculated by taking the average (\$197.40) of August thru June (some months have more days than others)

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**Town of Mansfield
Agenda Item Summary**

To: Finance Committee
From: Matt Hart, Town Manager *Matt H*
CC: Maria Capriola, Assistant Town Manager; Curt Vincente, Director of Parks and Recreation; Cherie Trahan, Director of Finance
Date: March 14, 2016
Re: Cost Recovery for Parks and Recreation (260) Fund

Subject Matter/Background

As discussed, the financial stability of the Parks and Recreation (260) Fund remains a significant concern for a number of related reasons, particularly because increases in certain more fixed expenditures (e.g. minimum wage, employee health insurance) have outpaced revenue growth and the fund remains highly dependent on user fees as its primary revenue source.

In its report dated August 27, 2007, staff did broach the concept of establishing cost recovery guidelines and bolstering the General Fund contribution to the 260 Fund (see *Building a Sustainable Budget for the Mansfield Community Center, Recreation Fund, and Parks and Recreation Department*). However, at that time the Council did not further pursue the concept of setting appropriate cost recovery levels for Parks and Recreation programming. At staff's recommendation, the Finance Committee has now decided to revisit this topic.

All program services have significant and necessary indirect costs. The Department has met the demand for its services by offering more programs at a higher quality, resulting in a significant increase in the indirect costs and reallocation of staff resources. For example, significant administrative time is required for program supervision, employee supervision, compliance with health and safety regulations, compliance with service industry standards, scheduling, marketing, program development, and many other functions. Additionally, the Department has taken on other significant initiatives such as adult education in 1996 and the opening of the Mansfield Community Center in 2003. Yet another factor is the loss in Fee Waiver Program revenue. While the Town's General Fund has experienced a savings due to recent reform of the Fee Waiver Program, these savings have resulted in a loss over the last two years of \$106,528 in revenue for the Parks and Recreation Fund, further impacting the financial health of the 260 Fund.

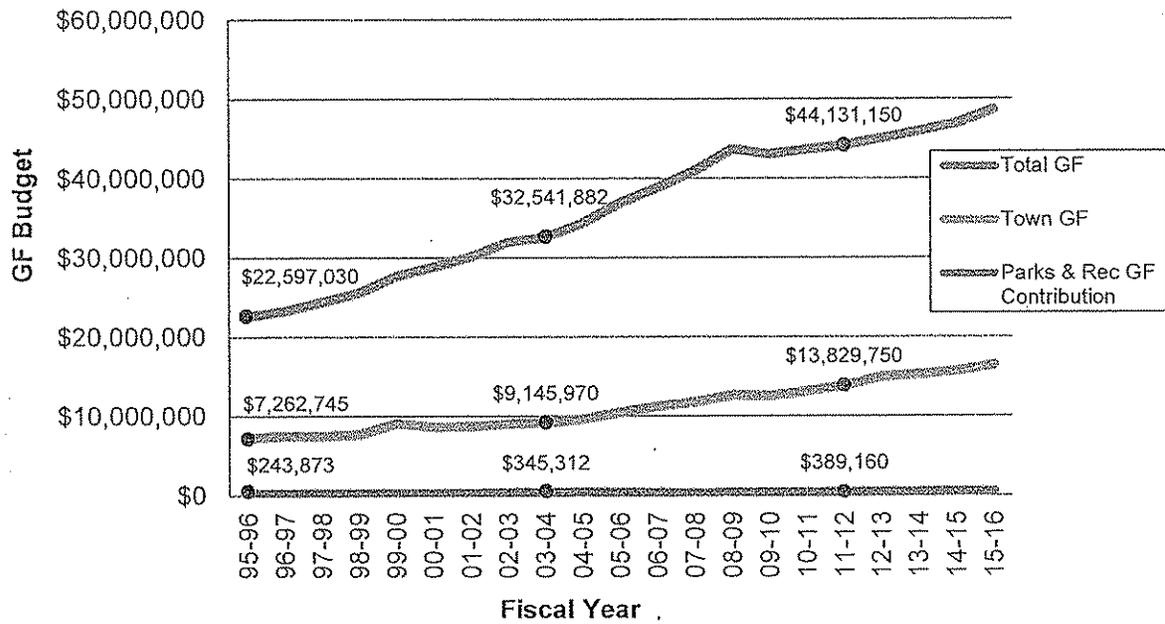
The Parks and Recreation Department utilizes the attached guideline to establish program fees and charges. The Department originally established its membership fees based upon market data and has subsequently modified those fees over the years based upon comparisons to local competitors and budgetary needs. Most fees to participate in Parks and Recreation activities are set using a standard formula by adding the direct costs and indirect costs (typically an additional 35% of direct costs) and dividing by the minimum number of participants needed to recover costs. Some programs, such as select fitness classes and swim lessons, are priced at a higher rate than the market will bear.

The Parks and Recreation Department has been very successful in responding to the Town's needs and goals of enhancing the quality of life for Mansfield residents. Operating a large array of quality programs has associated costs that continue to grow on a yearly basis. Management has in many years been able to increase fund balance in the 260 Fund. However, in recent fiscal years, rapid increases in minimum wage, large increases in benefit costs and most recently the loss of revenue due to the changes in the Fee Waiver program have caused concern that the Fund cannot remain sustainable without additional support.

Parks and Recreation operating revenues and expenditures are accounted for in the Parks and Recreation (260) Fund, showing a contribution from the General Fund. The 260 Fund is financed primarily by user fees from memberships and programs, which are mostly used to fund the expenditures directly related to Community Center operations and other activities (e.g. youth recreation programs, adult education). The General Fund contribution to the 260 Fund primarily funds the salaries and benefits for the positions that support the Department as a whole and as it existed prior to the Community Center operation.

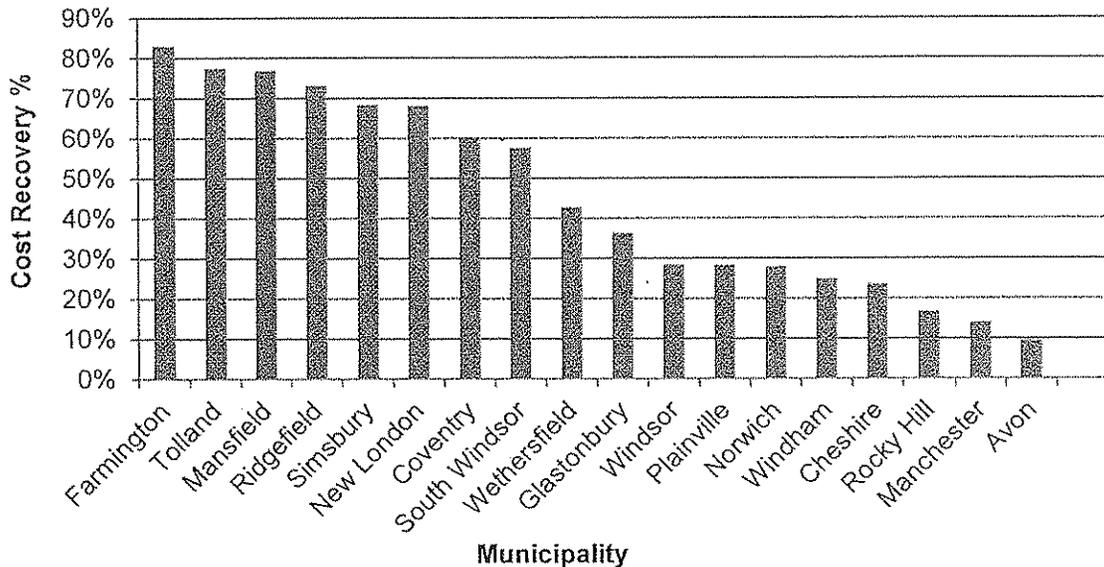
The General Fund contribution to the Parks and Recreation Fund has remained minimal since the 260 Fund's inception in 1990. In FY 2004/05 the total contribution was approximately 4.6% of the total General Fund (including Board of Education and Region #19 commitments). At present, the General Fund contribution to the 260 Fund represents only 2.9% of the total General Fund.

Growth in General Fund Budgets Town v. Parks & Rec 1996-2015



It is important to note that cost recovery for Parks and Recreation services is significantly higher than those in similar Connecticut towns. User fees account for 76.9% of the cost recovery for Mansfield Parks and Recreation. As indicated in the table below, this figure is considerably higher than the majority of comparable communities in Connecticut.

Parks and Recreation Comparison: Cost Recovery % Through User Fees



*Farmington and Tolland have some General Fund expenditures, such as office front-line staff and associated benefits and operational costs, which are not reported as support for their Parks and Recreation Department. Additionally, and this is very important to note, *Mansfield and Ridgefield are the only towns in Connecticut that operate extensive fitness and community center operations* and both have high cost recovery figures because of that distinction.

Recommendation

Attached are (4) financial statements for the Parks and Recreation Fund – Statement of Revenues and Expenditures with General Fund Contributions:

Actual as of June 30, 2015:

This statement reflects actual revenues (including the General Fund contribution) and actual expenditures for FY 2014/15. The statement is broken down by Administration, Member Service Programs, and Community Service Programs. Administration includes costs for salary and benefits for the Director of Parks and Recreation (100%), the Assistant Director (30%), the Administrative Services Specialist (100%), and the Natural Resources and Sustainability Coordinator (57%). These costs are supported by the General Fund. In addition, the General Fund contributes \$132,000 towards Community Service Programs. All direct and indirect costs are allocated to programs based on square footage of building use and percentage of program costs to total costs. The overall General Fund contribution to the Parks and Recreation Fund is approximately 20% of the total expenditures of the Fund.

Option 1 Funding:

The Option 1 funding scenario contemplates continuing the General Fund support for administrative costs as it is today. In addition, it proposes a 25% subsidy for most community service programs, excluding Adult Programs, Trips and the Sport & Specialty Camps, which would be set for full cost recovery.

Option 2 Funding:

The Option 2 funding scenario contemplates continuing the General Fund support for administrative costs as it is today. In addition, it proposes a 25% subsidy for all community service programs.

Option 3 Funding:

The Option 3 statement is designed to reflect what the subsidy for each of the community service programs would need to be in order for the programs to reflect a balanced budget under the existing fee schedule. It also contemplates continuing the General Fund support for administrative costs as it is today.

In all scenarios, the indirect costs are allocated based on a basic analysis of square footage, percentage of total costs, percentage of pool usage, etc. These scenarios are intended to provide a basic understanding of the true costs of our programs. For this reason, management's recommendation at this time is the **Option 2**

scenario as it provides the basic support needed to support the community service programs in a more sustainable way. Providing an overall 25% subsidy to Community Service programs, with the existing fee schedule in place, would allow management to rebuild a fund balance reserve in the 260 Fund, which was depleted last year due to the loss in Fee Waiver revenue. Having a fund balance reserve is critical to maintaining the current programming and service levels that the community currently enjoys. Management also recommends a periodic review of the level of funding to ensure that the fund balance remains at the desired level. On that point, we specifically endorse a practice of maintaining a fund balance of approximately 10%-12% of expenditures, a figure of \$240,000 - \$290,000 based on current budget.

Should the Council wish to pursue setting individual program fees for a specific level of cost recovery, a detailed study similar to GreenPlay's Pyramid Methodology (see Appendix 5) would be warranted. Management estimates that a study in this depth would cost between \$40,000 - \$45,000.

Attachments

- 1) General Fund Contribution Options
- 2) Cost Recovery Primer
- 3) GFOA Best Practices
- 4) Program Pricing Guidelines
- 5) Pyramid Methodology

Town of Mansfield
Parks & Recreation
Statement of Revenues and Expenditures with General Fund Contributions
June 30, 2015

Description	Revenues	General Fund Support	Total Revenues	Total Expenses	Net Income (Expense)	Subsidy Percentage
Administration	\$ -	\$ 325,430	\$ 325,430	\$ 325,430	\$ -	100%
Member Services:						
Indirect Alloc @ 51.528%	-	-	-	-	-	-
Child Care	97,030	-	97,030	108,953	(11,923)	
Fitness	624,214	-	624,214	608,972	15,242	
Personal Training	194,687	-	194,687	136,061	58,626	
Member Swim (@ 30% Costs)	192,584	-	192,584	230,390	(37,806)	
Member Events	12,349	-	12,349	14,773	(2,424)	
Sub-total Member Services	<u>1,120,864</u>	<u>-</u>	<u>1,120,864</u>	<u>1,099,150</u>	<u>21,714</u>	
Community Services:						
Indirect Alloc @ 48.472%	-	-	-	-	-	-
Aquatics	161,064	53,154	214,218	326,646	(112,428)	16%
Youth Programs	28,392	1,776	30,168	20,608	9,560	9%
Youth Afterschool	119,886	9,525	129,411	110,513	18,898	9%
Summer Challenge	893	8,168	9,060	13,546	(4,486)	60%
Teen Center	357	27,163	27,519	25,093	2,427	108%
Youth Sports	29,655	4,053	33,708	47,025	(13,317)	9%
Day Camp/Vacation Camp	191,874	18,759	210,634	217,648	(7,014)	9%
Sport & Specialty Camp	39,165	4,042	43,207	46,897	(3,690)	9%
Trips	6,051	1,092	7,143	12,672	(5,529)	9%
Special Events	39,724	1,503	41,227	17,437	23,790	9%
Adult Programs	26,799	2,764	29,563	32,068	(2,505)	9%
Sub-total Community Services	<u>643,859</u>	<u>132,000</u>	<u>775,859</u>	<u>870,153</u>	<u>(94,295)</u>	<u>15%</u>
Total Parks & Recreation	\$ <u>1,764,723</u>	\$ <u>457,430</u>	\$ <u>2,222,153</u>	\$ <u>2,294,734</u>	\$ <u>(72,581)</u>	<u>20%</u>

Analysis Notes:

1. General Fund Administration Contribution - \$325,430
 - a. Administrative Services Specialist Salary and related costs - 100%
 - b. Director of Parks & Recreation Salary and related costs - 100%
 - c. Assistant Director of Parks & Recreation and related costs - 30%
 - d. Portion of Natural Resources & Sustainability Coordinator Salary - 57%
2. General Fund Program Contribution - \$132,000
 - a. \$75,000 - Allocated Across Community Services Programs
 - b. \$25,000 - Bi-Centennial Pond (Aquatics)
 - c. \$25,000 - Teen Center
 - d. \$7,000 - Summer Challenge Program
3. Allocates all indirect costs primarily based on square footage and/or use of the facility

Town of Mansfield
Parks & Recreation
Statement of Revenues and Expenditures with General Fund Contributions
Proposed FY16/17

Description	Revenues	General Fund Support	Total Revenues	Total Expenses	Net Income (Expense)	Subsidy Percentage
Administration	\$	\$ 362,950	\$ 362,950	\$ 362,950	\$ -	100%
Member Services:						
Child Care	79,087	-	79,087	84,649	(5,562)	
Fitness	685,090	-	685,090	679,584	5,506	
Personal Training	187,435	-	187,435	124,501	62,935	
Member Swim (@ 30% Costs)	214,124	-	214,124	258,983	(44,860)	
Member Events	14,774	-	14,774	17,869	(3,095)	
Sub-total Member Services	<u>1,180,510</u>	<u>-</u>	<u>1,180,510</u>	<u>1,165,587</u>	<u>14,923</u>	
Community Services:						
General Fund Support		191,365	191,365		191,365	25%
Aquatics	163,430	-	163,430	350,742	(187,312)	
Youth Programs	27,010	-	27,010	31,276	(4,266)	
Youth Afterschool	145,610	-	145,610	98,441	47,169	
Teen Center	-	-	-	23,437	(23,437)	
Youth Sports	30,280	-	30,280	38,680	(8,400)	
Day Camp/Vacation Camp	200,720	-	200,720	211,496	(10,776)	
Sport & Specialty Camp	55,270	-	55,270	61,487	(6,217)	
Trips	9,000	-	9,000	12,581	(3,581)	
Special Events	36,330	-	36,330	11,388	24,942	
Adult Programs	31,860	-	31,860	36,486	(4,626)	
Sub-total Community Services	<u>699,510</u>	<u>191,365</u>	<u>890,875</u>	<u>876,013</u>	<u>14,861</u>	
Total Parks & Recreation	<u>\$ 1,880,020</u>	<u>\$ 554,315</u>	<u>\$ 2,434,335</u>	<u>\$ 2,404,550</u>	<u>\$ 29,785</u>	23%

Option 1 contemplates the existing administrative support covered by the General Fund along with an overall 25% subsidy for community service programs, excluding adult programs, trips and Sport & Specialty Camps, which would be set for full cost recovery.

Town of Mansfield
Parks & Recreation
Statement of Revenues and Expenditures with General Fund Contributions
Proposed FY16/17

Description	Revenues	General Fund Support	Total Revenues	Total Expenses	Net Income (Expense)	Subsidy Percentage
Administration	\$	\$ 362,950	\$ 362,950	\$ 362,950	\$ -	100%
Member Services:						
Child Care	79,087	-	79,087	84,649	(5,562)	
Fitness	685,090	-	685,090	679,584	5,506	
Personal Training	187,435	-	187,435	124,501	62,935	
Member Swim (@ 30% Costs)	214,124	-	214,124	258,983	(44,860)	
Member Events	14,774	-	14,774	17,869	(3,095)	
Sub-total Member Services	<u>1,180,510</u>	<u>-</u>	<u>1,180,510</u>	<u>1,165,587</u>	<u>14,923</u>	
Community Services:						
General Fund Support		219,003	219,003		219,003	25%
Aquatics	163,430	-	163,430	350,742	(187,312)	
Youth Programs	27,010	-	27,010	31,276	(4,266)	
Youth Afterschool	145,610	-	145,610	98,441	47,169	
Teen Center	-	-	-	23,437	(23,437)	
Youth Sports	30,280	-	30,280	38,680	(8,400)	
Day Camp/Vacation Camp	200,720	-	200,720	211,496	(10,776)	
Sport & Specialty Camp	55,270	-	55,270	61,487	(6,217)	
Trips	9,000	-	9,000	12,581	(3,581)	
Special Events	36,330	-	36,330	11,388	24,942	
Adult Programs	31,860	-	31,860	36,486	(4,626)	
Sub-total Community Services	<u>699,510</u>	<u>219,003</u>	<u>918,513</u>	<u>876,013</u>	<u>42,500</u>	
Total Parks & Recreation	\$ <u>1,880,020</u>	\$ <u>581,953</u>	\$ <u>2,461,973</u>	\$ <u>2,404,550</u>	\$ <u>57,423</u>	24%

Option 2 contemplates the existing administrative support covered by the General Fund along with an overall 25% subsidy for community service

Town of Mansfield
Parks & Recreation
Statement of Revenues and Expenditures with General Fund Contributions
Proposed FY16/17

Description	Revenues	General Fund Support	Total Revenues	Total Expenses	Net Income (Expense)	Subsidy Percentage
Administration	\$	\$ 362,950	\$ 362,950	\$ 362,950	\$ -	100%
Member Services:						
Child Care	79,087	-	79,087	84,649	(5,562)	
Fitness	685,090	-	685,090	679,584	5,506	
Personal Training	187,435	-	187,435	124,501	62,935	
Member Swim (@ 30% Costs)	214,124	-	214,124	258,983	(44,860)	
Member Events	14,774	-	14,774	17,869	(3,095)	
Sub-total Member Services	<u>1,180,510</u>	<u>-</u>	<u>1,180,510</u>	<u>1,165,587</u>	<u>14,923</u>	
Community Services:						
Aquatics	163,430	189,401	352,831	350,742	2,089	54%
Youth Programs	27,010	4,379	31,389	31,276	113	14%
Youth Afterschool	145,610	-	145,610	98,441	47,169	0%
Teen Center	-	23,437	23,437	23,437	-	100%
Youth Sports	30,280	8,510	38,790	38,680	110	22%
Day Camp/Vacation Camp	200,720	10,575	211,295	211,496	(201)	5%
Sport & Specialty Camp	55,270	6,149	61,419	61,487	(69)	10%
Trips	9,000	3,523	12,523	12,581	(59)	28%
Special Events	36,330	-	36,330	11,388	24,942	0%
Adult Programs	31,860	4,743	36,603	36,486	117	13%
Sub-total Community Services	<u>699,510</u>	<u>250,715</u>	<u>950,225</u>	<u>876,013</u>	<u>74,212</u>	
Total Parks & Recreation	<u>\$ 1,880,020</u>	<u>\$ 613,665</u>	<u>\$ 2,493,685</u>	<u>\$ 2,404,550</u>	<u>\$ 89,135</u>	26%

Option 3 contemplates the existing administrative support covered by the General Fund along with the subsidy required to cover direct and indirect program costs, with the existing fee structure.

What is cost recovery?

The recoupment of the cost of a product or service through fee charges over a certain period of time.

What does it mean for Mansfield and why do we have it?

The Mansfield Parks & Recreation department maintains a multitude of programs for the Town of Mansfield. All of these programs have user fees associated with them in an attempt to generate revenue in order to offset the expenses of providing these programs. User fees alone, are not enough to support these programs. In addition, charging fees provides taxpayers relief in that the individuals actually taking advantage of the program are paying for a portion of it.

Conducting a cost recovery analysis provides the Town with useful information related to where programs stand and where we want them to be to the degree we want them to be supported philosophically. It shows the relationship between the way tax dollars are spent and the extent to which the community as a whole benefits. It also supports explanations as to why we price the way we do and shows how the costs stack up against the benefits.

What are the advantages/challenges?

There are several benefits associated with cost recovery including reduction of resource consumption by curtailing excessing user demands. If all services were free, there would be a huge spike in volume of participants. It also creates a staff mentality of good customer service and cost efficiency, increased ability to serve a larger clientele, allows a value to be placed on the programs, allows for proper program planning such as how much advertising to consider, more effective investment decisions and greater financial independence

There are also several challenges associated with cost recovery. The two biggest challenges are assessing appropriate fees and identifying the right target of costs to recover. Along with these, it is difficult for users to evaluate the benefit of the program, only those who can afford the program are able to utilize the program, concerns may arise regarding the fairness of the charges, may be unreasonable demands and expectations from the program users and competition from for similar nearby programs being offered.

Costs Associated with Cost Recovery

There are two types of costs associated with preparing a cost recovery analysis. The first type of costs are direct costs. These are all the costs directly associated with a program. For example, if a soccer class was being offered, the cost of the soccer balls along with the instructor's time would both be direct costs as they are directly related to this program and only this program.

The second type of costs are indirect costs. These costs are not directly accountable to a particular program. For example, the costs of the Parks and Recreation Director, electricity or ballfield maintenance. These are typical costs that are associated and/or attributable to several different programs. An analysis needs to be conducted in order to determine how much indirect costs should be allocated to specific programs.



GFOA Best Practice

Establishing Government Charges and Fees

Background. State and local governments use charges and fees to help fund services. When certain services provided especially benefit a particular group, then governments should consider charges and fees on the direct recipients of those that receive benefits from such services. However, many governments provide subsidies to various users for policy reasons, including the ability of residents or businesses to pay. Well-designed charges and fees not only reduce the need for additional revenue sources, but promote service efficiency.

Setting user charges and fees can be difficult. Items to consider when developing charges and fees should include:

1. What are applicable laws and statutes regarding charges and fees?
2. Are formal policies in place articulating pricing factors or rationale for any subsidies?
3. What is the full cost of providing the service (both direct and indirect)?
4. Are rates periodically reviewed and updated?
5. Are long-term forecasts and plans consistent with the decision-making in the rate setting process?
6. How will the public be involved in the fee-setting process, and how will the public be informed of the result?

Recommendation. The Government Finance Officers Association (GFOA) supports the use of charges and fees as a method of financing governmental goods and services. Concerning the charge and fee setting process, GFOA makes the following recommendations that governments should:

1. Consider applicable laws and statutes before the implementation of specific fees and charges.
2. Adopt formal policies regarding charges and fees. The policy should:
 - Identify the factors (affordability, pricing history, inflation, service delivery alternatives, and available efficiencies) to be taken into account when pricing goods and services.
 - State whether the jurisdiction intends to recover the full cost of providing goods and services. Set forth under what circumstances the jurisdiction might set a charge or fee at more or less than 100 percent of full cost. If the full cost of a good or service is not recovered, then an explanation of the government's rationale for this deviation should be provided.

- Outline the considerations that might influence governmental pricing decisions. Such policy concerns might include the need to regulate demand, the desire to subsidize a certain product, competition with private businesses, economic development, elasticity of demand for the particular service, and visibility of the service to the community.
 - The specifics of how the fees and charges will be levied and collected should be a consideration when developing policy.
3. Calculate the full cost of providing a service in order to provide a basis for setting the charge or fee.
- Full cost incorporates direct and indirect costs (including operations and maintenance), overhead, and charges for the use of capital facilities. Examples of overhead costs include: payroll processing, accounting services, computer usage, and other central administrative services.
 - One useful tool for calculating service costs is Activity Based Costing (ABC). ABC assigns costs to the activities required to deliver a service and can be more accurate than traditional costing methods.
 - The associated costs of collection need to be addressed.
4. Review and update charges and fees periodically based on factors such as the impact of inflation, other cost increases, adequacy of cost recovery, use of services, and the competitiveness of current rates.
- By updating fees on a periodic basis, this may help smooth charges and fees over several years rather than having uneven impacts. Periodic review of the service demand and competition is also recommended to ensure that the appropriate quality and price point of the service continues to meet actual demand. The review should be performed in conjunction with a look at alternatives for cost reduction.
 - Benchmarking individual fees and charges with those charged by comparable or neighboring jurisdictions can guide a governing body when setting rates; it can also differentiate service levels to reveal service or pricing options.
5. Utilize long-term forecasting in ensuring that charges and fees anticipate future costs in providing the service.
- If the charges will recover costs associated with other long-term plans, such as a multi-year capital plan, a longer-term service fee plan should be consistent, recognizing the plan may be amended to reflect changing conditions in the future.
6. Provide information on charges and fees to the public.
- There should be opportunities for citizen feedback, particularly when new rates are introduced or when existing rates are changed. This includes the government's policy regarding full cost recovery, subsidies, and information about the amounts of charges and fees (current and proposed), both before and after adoption, and the anticipated impact of the new fee on providing the service in future years.

References.

Best Practice: Measuring the Cost of Government Service (2002).

Best Practice: Managed Competition as a Service Delivery Option (2006).

Best Practice: Alternative Service Delivery: Examining the Benefits of Shared Services (2007).

Best Practice: Long-Term Financial Planning (2008).

Best Practice: Public Participation in Planning, Budgeting, and Performance Management (2009).

Approved by the GFOA's Executive Board, February, 2014.



Mansfield Parks & Recreation

Family, Fitness & Fun!

Program Pricing Guidelines

Direct expenses + 35% divided by "6"

OR:

Step 1: Total direct expenses

Step 2: Add 35% for indirect expenses

Step 3: Divide by 6

Step 4: This is the program price using the number "6" as the minimum number of participants needed to recover direct and indirect (35%) expenses.

Direct expenses: Instructor wages, supplies and equipment

Indirect expenses: (can include) Administrative, promotional materials, equipment, utilities, maintenance, uniforms, training and other.

Example of Pricing an Activity Program

Instructor rate is \$23.00 per hour X 8 weeks of classes, meeting one hour per week	= 184.00
Supplies are needed for the class at an expense total	= 100.00
	<hr/>
	284.00
284.00 X 35%	= 99.40
284.00 X 99.40	= 383.40 (383)
Divide by 6 for course fee for a registration of 6 minimum	$383/6 = \text{course fee} =$
	\$63.83 (64.00)

Notes

- Some programs are set with a higher minimum number due to the higher costs of a contracted instructor and/or supplies. Sometimes using "6" as a minimum number sets the price too high for the market and a higher minimum may need to be used.
- Programs can at times be run when cleared by the Assistant Director or Director when following below the established minimum number. Typically reserved for a new program or if a program can break even on direct costs.
- Some programs such as select fitness classes, swim lessons and summer camps are at times priced higher to rate/fee that the market will bear.
- Fitness classes and swim lessons are discounted for members.

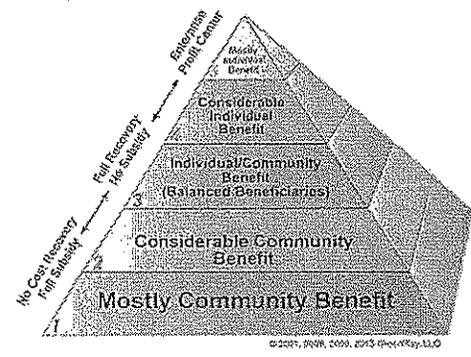
THE PYRAMID METHODOLOGY: COST RECOVERY AND SUBSIDY ALLOCATION PHILOSOPHY

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.

Critical to this philosophical undertaking is the support and buy-in of elected officials and advisory boards, staff, and ultimately, citizens. Whether or not significant changes are called for, the organization should be certain that it philosophically aligns with its constituents. The development of a financial resource allocation philosophy and policy is built upon a very logical foundation, based upon the theory that those who benefit from parks and recreation services ultimately pay for services.



The Pyramid Methodology



The development of a financial resource allocation philosophy can be separated into the following steps:

Step 1 – Building on Your Organization's Values, Vision, and Mission

The premise of this process is to align agency services with organizational values, vision, and mission. It is important that organizational values are reflected in the vision and mission. Oftentimes, mission statements are a starting point and further work needs to occur to create a more detailed common understanding of the interpretation of the mission and a vision for the future. This is accomplished by engaging staff and community members in a discussion about a variety of Filters.

Step 2 – Understanding the Pyramid Methodology, the Benefits Filter, and Secondary Filters

Filters are a series of continuums covering different ways of viewing service provision. Filters influence the final positioning of services as they relate to each other and are summarized below. The Benefits Filter, however; forms the foundation of the Pyramid Model and is used in this discussion to illustrate a cost recovery philosophy and policies for parks and recreation organizations.

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?

THE BENEFITS FILTER

The principal foundation of the Pyramid is the **Benefits Filter**. Conceptually, the base level of the pyramid represents the mainstay of a public parks and recreation system. Services appropriate to higher levels of the pyramid should only be offered when the preceding levels below are comprehensive enough to provide a foundation for the next level. This foundation and upward progression is intended to represent public parks and recreation's core mission, while also reflecting the growth and maturity of an organization as it enhances its service offerings.

It is often easier to integrate the values of the organization with its mission if they can be visualized. An ideal philosophical model for this purpose is the pyramid. In addition to a physical structure, *pyramid* is defined by Webster's Dictionary as "an immaterial structure built on a broad supporting base and narrowing gradually to an apex." Parks and recreation programs are built with a broad supporting base of core services, enhanced with more specialized services as resources allow. Envision a pyramid sectioned horizontally into five levels.

MOSTLY COMMUNITY Benefit

The foundational level of the Pyramid is the largest, and includes those services including programs and facilities which **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.

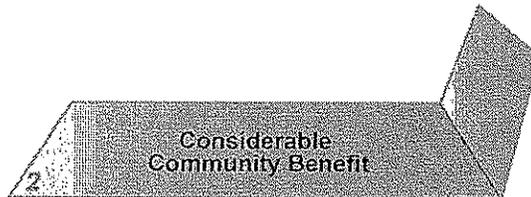


Examples of these services could include: the existence of the community parks and recreation system, the ability for youngsters to visit facilities on an informal basis, low-income or scholarship programs, park and facility planning and design, park maintenance, or others.

NOTE: All examples above are generic – individual agencies vary in their determination of which services belong in the foundation level of the Pyramid based upon agency values, vision, mission, demographics, goals, etc.

CONSIDERABLE COMMUNITY Benefit

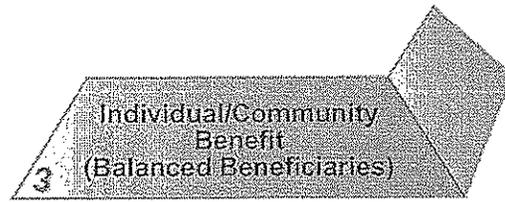
The second and smaller level of the Pyramid represents services which promote individual physical and mental well-being, and may begin to provide skill development. They are generally traditionally expected services and/or beginner instructional levels. These services are typically assigned fees based upon a specified percentage of direct (and may also include indirect) costs. These costs are partially offset by both a tax subsidy 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: the capacity for teens and adults to visit facilities on an informal basis, ranger led interpretive programs, beginning level instructional programs and classes, etc.

BALANCED INDIVIDUAL/COMMUNITY Benefit

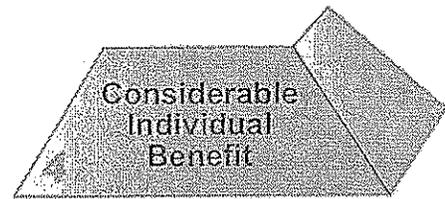
The third and even smaller level of the Pyramid represents services that promote individual physical and mental well-being, and provide an intermediate level of skill development. This level provides balanced **INDIVIDUAL** and **COMMUNITY** benefit and should be priced accordingly. The individual fee is set to recover a higher percentage of cost than those services that fall within lower Pyramid levels.



Examples of these services could include: summer recreational day camp, summer sports leagues, year-round swim team, etc.

CONSIDERABLE INDIVIDUAL Benefit

The fourth and still smaller Pyramid level represents specialized services generally for specific groups, and those which 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: specialty classes, golf, and outdoor adventure programs.

MOSTLY INDIVIDUAL Benefit

At the top of the Pyramid, the fifth and smallest level represents services which have profit center potential, may be in an enterprise fund, 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.



Examples of these activities could include: elite diving teams, golf lessons, food concessions, company picnic rentals, and other facility rentals such as for weddings or other services.

Step 3 – Developing the Organization's Categories of Service

In order to avoid trying to determine cost recovery or subsidy allocation levels for each individual agency service including every program, facility, or property, it is advantageous to categorize agency services into like categories. This step also includes the development of category definitions that detail and define each category and service inventory “checks and balances” to ensure that all agency services belong within a developed category. *Examples of Categories of Service could include: Beginner Instructional Classes, Special Events, and Concessions/Vending.*

Step 4 – Sorting the Categories of Service onto the Pyramid

It is critical that this sorting step be done with staff, governing body, and citizen representatives involved. This is where ownership is created for the philosophy, while participants discover the current and possibly varied operating histories, cultures, and organizational values, vision, and mission. It is the time to develop consensus and get everyone on the same page – the page that is written together. Remember, this effort must reflect the community and must align with the thinking of policy makers.

Sample Policy Development Language:

XXX community brought together staff from across the department, agency leadership, and citizens to sort existing programs into each level of the Pyramid. The process was facilitated by an objective and impartial facilitator in order to hear all viewpoints. It generated discussion and debate as participants discovered what different people had to say about serving culturally and economically varied segments of the community, about historic versus active-use parks, about the importance of adult versus youth versus senior activities, and other philosophical and values-based discussions. This process gets at both the “what” and “why” with the intention of identifying common ground and consensus.

Step 5 – Defining Direct and Indirect Costs

The definition of direct and indirect costs can vary from agency to agency. What is important is that all costs associated with directly running a program or providing a service are identified and consistently applied across the system. Direct costs typically include all the specific, identifiable expenses (fixed and variable) associated with providing a service. These expenses would not exist without the service and may be variable costs. Defining direct costs, along with examples and relative formulas is necessary during this step.

Indirect costs typically encompass overhead (fixed and variable) including the administrative costs of the agency. These costs would exist without any specific service but may also be attributed to a specific agency operation (in which case they are direct expenses of that operation). If desired, all or a portion of indirect costs can be allocated, in which case they become a direct cost allocation.

Step 6 – Determining (or Confirming) Current Subsidy/Cost Recovery Levels

This step establishes the expectation that the agency will confirm or determine current cost recovery and subsidy allocation levels by service area based on the new or revised definition of direct and in-direct costs. This will include consideration of revenues sources and services costs or expenses. Typically, staff may not be cost accounting consistently, and these inconsistencies will become apparent. Results of this step will identify whether staff members know what it costs to provide services to the community, whether staff have the capacity or resources necessary to account for and track costs, whether accurate cost recovery levels can be identified, and whether cost centers or general ledger line items align with how the agency may want to track these costs in the future.

Step 7 – Establishing Cost Recovery/Subsidy Goals

Subsidy and cost recovery are complementary. If a program is subsidized at 75%, it has a 25% cost recovery, and vice-versa. It is more powerful to work through this exercise thinking about where the tax subsidy is used rather than what is the cost recovery. When it is complete, you can reverse thinking to articulate the cost recovery philosophy, as necessary.

The overall subsidy/cost recovery level is comprised of the average of everything in all of the levels together as a whole. This step identifies what the current subsidy level is for the programs sorted into each level. There may be quite a range within each level, and some programs could overlap with other levels of the pyramid. This will be rectified in the final steps.

This step must reflect your community and must align with the thinking of policy makers regarding the broad picture financial goals and objectives.

Examples

Categories in the bottom level of the Pyramid may be completely or mostly subsidized, with the agency having established limited cost recovery to convey the value of the experience to the user. An established 90-100% subsidy articulates the significant community benefit resulting from these categories.

The top level of the Pyramid may range from 0% subsidy to 50% excess revenues above all costs, or more. Or, the agency may not have any Categories of Service in the top level.

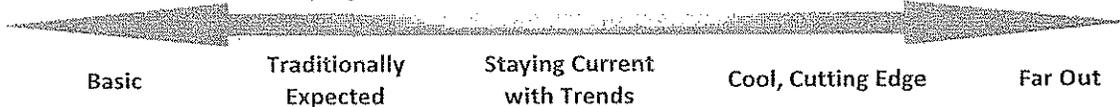
Step 8 – Understanding and Preparing for Influential Factors and Considerations

Inherent to sorting programs onto the Pyramid model using the Benefits and other filters is the realization that other factors come into play. This can result in decisions to place services in other levels than might first be thought. These factors also follow a continuum; however, do not necessarily follow the five levels like the Benefits Filter. In other words, a specific continuum may fall completely within the first two levels of the Pyramid. These factors can aid in determining core versus ancillary services. These factors represent a layering effect and should be used to make adjustments to an initial placement on the Pyramid.

THE COMMITMENT FACTOR: What is the intensity of the program; what is the commitment of the participant?



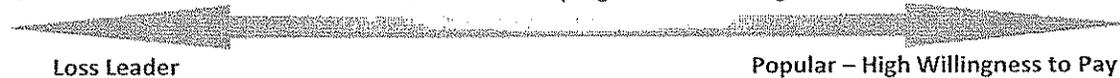
THE TRENDS FACTOR: Is the program or service tried and true, or is it a fad?



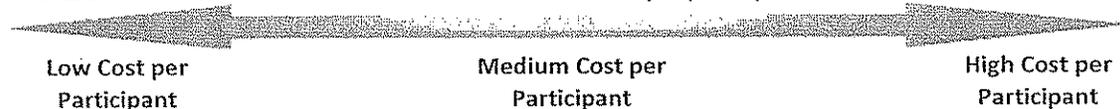
THE POLITICAL FILTER: What is out of our control?

This filter does not operate on a continuum, but is a reality, and will dictate from time to time where certain programs fit in the pyramid

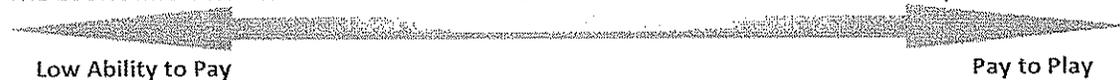
THE MARKETING FACTOR: What is the effect of the program in attracting customers?



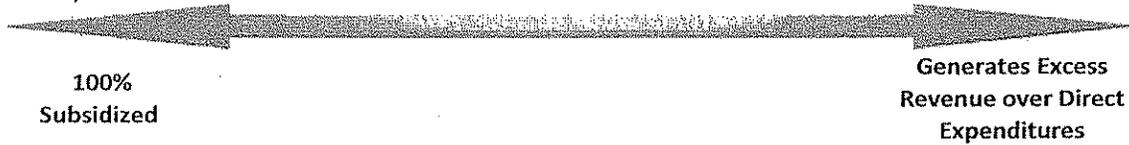
THE RELATIVE COST TO PROVIDE FACTOR: What is the cost per participant?



THE ECONOMIC CONDITIONS FACTOR: What are the financial realities of the community?



FINANCIAL GOALS FACTOR: Are we targeting a financial goal such as increasing sustainability, decreasing subsidy reliance?



Step 9 – Implementation

Across the country, ranges in overall cost recovery levels can vary from less than 10% to over 100%. The agency sets their goals based upon values, vision, mission, stakeholder input, funding, and/or other criteria. This process may have been completed to determine present cost recovery levels, or the agency may have needed to increase cost recovery levels in order to meet budget targets. Sometimes, simply implementing a policy to develop equity is enough without a concerted effort to increase revenues. Upon completion of steps 1-8, the agency is positioned to illustrate and articulate where it has been and where it is heading from a financial perspective.

Step 10 – Evaluation

The results of this process may be used to:

- articulate and illustrate a comprehensive cost recovery and subsidy allocation philosophy
- train staff at all levels as to why and how things are priced the way they are
- shift subsidy to where it is most appropriately needed
- benchmark future financial performance
- enhance financial sustainability
- recommend service reductions to meet budget subsidy targets, or show how revenues can be increased as an alternative
- justifiably price new services

This Cost Recovery/Subsidy Allocation Philosophy: The Pyramid Methodology Outline is provided by:



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