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Executive Summary
Cost of Services Study
for the
City of College Station, Texas
Parks and Recreation Department

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I. INTRODUCTION

The City of College Station, Texas, is a full service city government, which provides many services to its citizens and, in some cases, non-residents. As with cities throughout the United States, College Station is dealing with difficult issues in increased demands for services and increasing costs fueled by growth. In addition, the city desires to reduce the property tax on its citizens. As a result of these pressures, the city must examine all opportunities for enhanced revenues or new revenue sources to avoid reducing valuable City service levels. Accordingly, College Station engaged DMG-MAXIMUS, INC. (DMG) to conduct a Cost of Services Study to review the City's Parks and Recreation Department current costs and policies related to the recovery of fees for services. This Executive Summary provides a summary of DMG-MAXIMUS' findings and potential revenue increases resulting from this study.

User Fee Study

The costs of many Parks services currently provided by the City either are or could be recovered from user fees. Revenues from user fees can be an appropriate means of achieving revenue enhancement for local government. Many times one or more of the following conditions exist before a full cost user fee study is undertaken in a city:

- Current user fees are set far below the actual cost of providing the services.
- No fees are being charged for services that could generate revenue.
- Current fee structure and policy have not been set with full knowledge of the relationship between the value of a service and the amount of a fee.

Providing certain public services at cost can have numerous benefits to the City and its citizens:

- All service users, including those exempt from property taxes, pay user fees.
- Non-residents, reducing the burden on City residents, pay user fees.
- User fees create a "rationing" of services and allow for the measurement of demand.

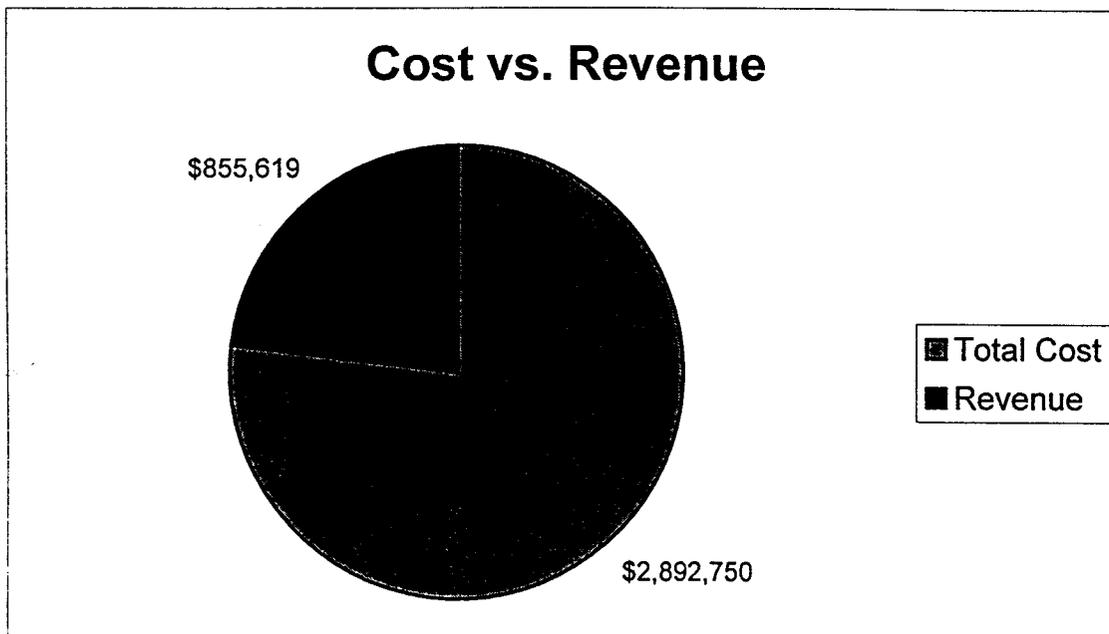
It is for these reasons that local governments all over the United States are shifting from a near-total dependence on property, sales, and income taxes for financing local services to a more broad-based revenue stream. Although there may be political reaction to increasing fees for services that were previously free or heavily subsidized, local governments are becoming aware that user charges can be a more acceptable method of raising revenue than an increase in taxes.

Summary

The User Fee Study presents the results of a DMG-MAXIMUS analysis of the full cost of services provided by the City of College Station, Texas, Parks and Recreation Department, for which user fees are being charged or might be considered. By calculating the full costs of these services, including an appropriate share of Citywide and departmental indirect cost, and comparing that cost to the associated revenues received, DMG-MAXIMUS has been able to determine the amount of cost subsidy being drawn from general tax dollars in these areas. The objective of the Study was to provide cost data to be used as a basis for establishing or changing user fees.

The full cost of delivering services includes direct labor costs, other direct operating and maintenance costs, departmental supervision costs, and citywide indirect costs.

The study indicates that the full cost of fee related services are \$2,892,750 and that \$855,619 is being recovered in revenue. The subsidy currently required to support these services is, therefore, \$2,037,131 as illustrated in the following graph:



In comparison to other DMG-MAXIMUS municipal clients, the City of College Station Parks and Recreation Department's subsidy levels are comparable. However, DMG-MAXIMUS has identified potential areas for cost recovery to increase the charges for services, therefore increasing revenues for the City. The larger subsidy areas, in some cases, are for fee areas where the City has made a policy decision not to pursue full cost recovery. Typically, Parks and Recreation Departments subsidize certain activities (usually youth activities) while attempting to recover full costs for adult programs.

Revenue Summary and Potential Increases

A summary of the cost/revenue analysis and the resulting potential for increased revenues are summarized in the tables that follow. DMG-MAXIMUS identified potential for new revenues in existing fee areas of \$172,165.

Activity	Cost	Revenue	Difference	Percent of Cost Recovery
Adult Activities	\$ 399,501	\$ 181,655	\$ 217,846	45.47%
Youth Activities	\$ 250,520	\$ 60,638	\$ 189,882	24.20%
Aquatics	\$ 1,038,817	\$ 348,881	\$ 689,936	33.58%
Rentals	\$ 248,660	\$ 50,321	\$ 198,339	20.24%
Rec/Conference Centers	\$ 870,804	\$ 148,145	\$ 722,659	17.01%
Other	\$ 84,448	\$ 65,979	\$ 18,469	78.13%
Total	\$ 2,892,750	\$ 855,619	\$ 2,037,131	29.58%

In addition, DMG-MAXIMUS identified other services provided by the City of College Station Parks and Recreation Department in which no fee is currently charged, but where costing information can be used in deciding whether or not to implement new fees. The amount of full cost involved for these activities totals \$484,656, and includes Soccer, Cemetery, and Little League. Although the cemetery collects revenues that are in a separate fund, the Parks and Recreation Department receives no revenues for the services provided.

Non-Revenue Producing Activities

Activity	Cost	Revenue	Difference	Percent of Cost Recovery
Cemetery	\$ 163,773	\$ -	\$ 163,773	0.00%
Soccer	\$ 137,025	\$ -	\$ 137,025	0.00%
Little League	\$ 183,858	\$ -	\$ 183,858	0.00%
Total	\$ 484,656	\$ -	\$ 484,656	0.00%

The current policies for the collection of fees, as identified in the City of College Station fiscal year 2001 operating budget, are as follows:

- Full fee support (80-100%) will be obtained from enterprise operations such as utilities, sanitation service, landfill, cemetery, and license permits.
- Partial fee support (50-80%) will be generated by charges for emergency medical services, miscellaneous licenses and fines, and all adult sports programs.

- Minimum fee support (0-50%) will be obtained from other parks, recreational, cultural, and youth programs and activities.

DMG-MAXIMUS, Inc. used these guidelines in determining potential areas for increased revenues.

Executive Summary Format

The Executive Summary is presented in the following sections:

- **Approach and Methodology** – A brief description of the approach and methodology utilized to develop the user fee study.
- **Activity Fee Studies** – A summary presentation of DMG-MAXIMUS' analysis of the cost of fee and service activities within the Parks and Recreation Department.
- **Benefits and Policy Considerations** – A discussion of benefit and policy considerations, which should be considered in utilizing the results of a cost of services study.
- **Appendix** – User Fee Costing Report (Under separate cover)

II. APPROACH AND METHODOLOGY

The approach and methodology DMG-MAXIMUS staff utilized in the development of indirect cost allocation plans and the comprehensive user fee study developed the *full* costs associated with providing City Parks and Recreation services. Costs of services were not limited to direct departmental charges, but rather based on an analysis of the comprehensive costs incurred by the City in providing services. Total costs include allocation of the administrative and central support activities and other costs not traditionally assigned to departmental budgets such as building depreciation or use costs. The emphasis of this project was to comprehensively determine the costs of services and match these services to funding sources.

Indirect Cost Plan Approach and Methodology

The Citywide administrative indirect cost used for this engagement is provided by the Full-Cost Central Services Cost Allocation Plan prepared by DMG-MAXIMUS, INC., based on budget data for fiscal year ending September 30, 2000.

This approach is consistently applied for all City departments and services, regardless of funding source and allocates costs to departments based on an objective statistic that reflects or correlates to the use of the administrative services provided.

User Fee Study Approach and Methodology

The primary purpose of the User Fee Study is to document the full cost of providing Parks and Recreation services for which user fees are assessed or could be assessed reasonably. This work will allow the City to make a determination of the level of tax subsidy it wants to maintain as a matter of public policy in an environment where the full and actual cost of doing business is known. Fee levels then become a true measure of the City's intentions and not simply a combination of historical or inconsistently applied amounts.

Among the tools that DMG-MAXIMUS uses in all of its studies are the principles of governmental cost accounting. This means that a detailed and comprehensive analysis of all of the costs associated with the provision of each unit of service is completed. The study utilizes budgeted FY 2001 expenses and revenues. In order to accomplish a tailor-made cost of service/revenue analysis for the City of College Station Parks and Recreation Department, DMG-MAXIMUS went through the following stages of research and analysis:

- Conducted an analysis of service costs and revenues, including:
 - Interviews with key management and operational personnel throughout the department
 - Determined the full cost of each activity by identifying staff positions that provide the service, the number of units of the activity provided in a year, the amount of staff time required for each activity and related operating expenses
 - Determined current revenue for each activity
 - Processed the cost of services plan

- Reviewed first drafts with department staff and incorporated revisions
- Reviewed the reports with a subcommittee of the College Station Parks Board
- Prepared Final Report incorporating Department Staff and Parks and Recreation Board Sub-Committee comments

This approach results in a detailed cost of service/revenue analysis that the City will use as a basis for restructuring existing fees and/or implementing new ones. The final results incorporate multiple iterations and fine-tuning of data. We believe the analysis and conclusions to be the best obtainable – the result of the cooperative efforts between DMG-MAXIMUS consultants and City staff.

III. ACTIVITY FEE STUDIES

The following section presents the results of DMG-MAXIMUS' analysis of the cost of fee and service areas in the City Parks and Recreation Department. A description of the activities, possible full cost fee structures, and graphic presentations of alternatives are contained in this section. The detailed work papers are available in companion volumes.

A. Adult Activities

The Adult Flag Football Program strives to provide adults with an organized flag football league. Teams in this league can advance to the TAAF State Flag Football tournament if they qualify. This league is designed for both male and female adults age 16 and over. Each team plays in an 8 game round robin. Units for this program are identified as teams. There is a double elimination tournament at the end of the season.

The Adult Volleyball Program is designed to provide adults with an organized co-ed volleyball program. Teams can advance to the TAAF State Tournament. The program is open to males and females ages 16 and older. Participation for this program is identified per individual. Each team plays in an 8 game round robin. There is a double elimination tournament at the end of the season.

Adult Softball Leagues provide adults with an organized softball program and give them a chance to advance to the TAAF or ASA State and National Tournaments. The league is open to all males and females ages 16 and older. Each team plays 10 games per season round robin in the Spring and Summer, and 8 games in the Fall. There is an optional double elimination tournament throughout the regular season. Teams are broken into the following divisions: Men's A, Men's B, Men's D+; Women's C, D, D+; Co-ed Super D, D+, C+, B, and Fast Pitch. Fees for this program are charged per team, however for the purposes of this study, units are identified as participants.

The following table represents the costs, revenues, and the percentage of cost recovery for the fee areas in Adult Sports.

Adult Activities Cost/Revenue Analysis							
Activity	Cost	Revenue	Difference	Percent of Cost Recovery	Units	Cost per Unit	Revenue per Unit
Adult Flag Football	\$ 28,127	\$ 4,080	\$ 24,047	14.51%	12	\$ 2,343.92	\$ 340.00
Adult Volleyball	\$ 25,632	\$ 7,020	\$ 18,612	27.39%	52	\$ 492.92	\$ 135.00
Spring-Summer Slowpitch	\$ 202,646	\$ 116,280	\$ 86,366	57.38%	323	\$ 627.39	\$ 360.00
Fall Slowpitch	\$ 126,744	\$ 50,400	\$ 76,344	39.77%	160	\$ 792.15	\$ 315.00
Spring-Summer Fastpitch	\$ 8,387	\$ 2,250	\$ 6,137	26.83%	6	\$ 1,397.83	\$ 375.00
Fall Fastpitch	\$ 7,965	\$ 1,625	\$ 6,340	20.40%	5	\$ 1,593.00	\$ 325.00
Total	\$ 399,501	\$ 181,655	\$ 217,846	45.47%			

In identifying potential areas for increased cost recovery, DMG-MAXIMUS reviewed the City's fiscal policies and identified the percentage of cost recovery that is required according to these policies. For adult activities, the user fee must be set to collect between 50% and 80% of the cost of the program. Using these policies, DMG-MAXIMUS has created the following areas for potential increased revenues:

Potential Revenue Increases

Activity	Cost	Current Revenue	Units	Cost per Unit	Potential Fee	Total Potential Revenue	Potential Additional Revenue
Adult Flag Football	\$ 28,127	\$ 4,080	12	\$ 2,343.92	\$ 1,175.00	\$ 14,100	\$ 10,020
Adult Volleyball	\$ 25,632	\$ 7,020	52	\$ 492.92	\$ 250.00	\$ 13,000	\$ 5,980
Spring-Summer Slowpitch	\$ 202,646	\$ 116,280	323	\$ 627.39	\$ 360.00	\$ 116,280	\$ -
Fall Slowpitch	\$ 126,744	\$ 50,400	160	\$ 792.15	\$ 400.00	\$ 64,000	\$ 13,600
Spring-Summer Fastpitch	\$ 8,387	\$ 2,250	6	\$ 1,397.83	\$ 700.00	\$ 4,200	\$ 1,950
Fall Fastpitch	\$ 7,965	\$ 1,625	5	\$ 1,593.00	\$ 800.00	\$ 4,000	\$ 2,375
Total	\$ 399,501	\$ 181,655				\$ 215,580	\$ 33,925

As costs for many of these programs are very high, it would be inappropriate to meet the guidelines set forth by the financial policies in some cases. DMG-MAXIMUS has identified the potential for increased revenues based on a 50% cost recovery, the minimum recovery rate for adult sports based on the City's fiscal policies. It would be beneficial however for the City to perform a market survey to determine what costs are being charged in competing leagues, and what price the market will bear for these activities.

B. Youth Activities

The Youth Flag Football Program provides a positive experience in team sports for boys and girls and teaches them the basic skills of football. The program is open to males and females age 7 to 12 (Grade 1 through 6). The participants play in 8 games per season on either Monday or Wednesday, or Tuesday and Thursday, as well as Saturday morning. Each player receives a T-shirt and a trophy. Participation for this program is identified as individual participants. Fees for youth flag football are established on a sliding scale, a family with one child would pay \$35, while a second child would be an additional \$25, and a third child would be an additional \$15.

The Youth Basketball Program provides a positive experience in team sports for boys and girls and teaches them the basic skills of basketball. The program is open to males and females between the ages of 5 and 14 (grades kindergarten through 8th). Participants play in 8 games per season on wither Mondays and Wednesdays, Tuesdays and Thursdays, as well as Saturday mornings. Units for this program are identified as individual participants. Each player receives a T-shirt and a trophy. The sliding scale for youth basketball is \$30/\$20/\$10.

The National Junior Tennis League (USA Tennis 1-2-3) is also offered during the summer to teach beginning players a lifetime sport, develop good sportsmanship, and offer the chance to participate in a team tennis activity.

Girls softball leagues are also offered throughout the year for girls aged six to sixteen. The fee schedule is also set on a sliding scale for families with more than one child participating in the leagues.

Tennis lessons are also included in the Youth Activities category, but are offered to all persons 6 years and older on a year-round basis. Classes include beginner, intermediate, and advanced instruction.

The following table presents the costs, revenues, and percentage of cost recovery for youth activities:

**Youth Activities
Cost/Revenue Analysis**

Activity	Cost	Revenue	Difference	Percent of Cost Recovery	Units	Cost per Unit	Revenue per Unit
Youth Flag Football	\$ 43,592	\$ 11,120	\$ 32,472	25.51%	401	\$ 108.71	\$ 27.73
Youth Basketball	\$ 102,364	\$ 20,701	\$ 81,663	20.22%	774	\$ 132.25	\$ 26.75
Nat'l Jr. Tennis League	\$ 10,644	\$ 4,350	\$ 6,294	40.87%	87	\$ 122.34	\$ 50.00
Girls Fast Pitch	\$ 69,372	\$ 12,410	\$ 56,962	17.89%	355	\$ 195.41	\$ 34.96
Tennis Lessons	\$ 24,548	\$ 12,057	\$ 12,491	49.12%	186	\$ 131.98	\$ 64.82
Total	\$ 250,520	\$ 60,638	\$ 189,882	24.20%			

According to policies set in the budget process, youth activities require only minimal fee support (0% to 50%) and therefore, DMG-MAXIMUS has identified cost recovery at 30% in order to satisfy the fiscal requirements.

Youth Activities Potential Revenue Increases

Activity	Cost	Current Revenue	Units	Cost per Unit	Potential Fee	Total Potential Revenue	Potential Additional Revenue
Youth Flag Football	\$ 43,592	\$ 11,120	401	\$ 108.71	\$ 30.00	\$ 12,030	\$ 910
Youth Basketball	\$ 102,364	\$ 20,701	774	\$ 132.25	\$ 40.00	\$ 30,960	\$ 10,259
Nat'l Jr. Tennis League	\$ 10,644	\$ 4,350	87	\$ 122.34	\$ 50.00	\$ 4,350	\$ -
Girls Fast Pitch	\$ 69,372	\$ 12,410	355	\$ 195.41	\$ 60.00	\$ 21,300	\$ 8,890
Tennis Lessons	\$ 24,548	\$ 12,057	186	\$ 131.98	\$ 64.82	\$ 12,037	\$ -
Total	\$ 250,520	\$ 60,638				\$ 80,697	\$ 20,059

C. Aquatics

Open Swim Programs provide safe, fun aquatic fun for both adults and children. Participants can choose to utilize Adamson Lagoon and Thomas Pool, which are open the last weekend of May through Mid-August; Hallaran Pool, which is open from the beginning of April through the end of September; or the Junior High School Natatorium, which is open year-round.

Swim Lessons are given to provide Red Cross swimming instruction to all ages (6-months to adult) to keep them safe in, on, and around water and to know what to do in case of an emergency. Spring and Fall lessons meet two times per week for four weeks (8 lessons). Summer lessons meet nine times per two-week session (9 lessons).

The TAAF Swim Team provides a recreational program that introduces participants to competitive swimming. Swim meets are held against other teams – Bryan, Brenham, Huntsville, Navasota, Livingston, etc. – with the summer culminating with the State TAAF Swim Meet. Participants practice four times per week in April and May, with practice sessions increasing to five times per week in June and July.

The following table presents the costs, revenues, and percentage of cost recovery for aquatics programs:

Aquatics Activities Cost/Revenue Analysis

Activity	Cost	Revenue	Difference	Percentage Cost Recovery	Units	Cost per Unit	Revenue per Unit
Open Swim	\$ 566,609	\$ 257,054	\$ 309,555	45.37%	114,319	\$ 4.96	\$ 2.25
Swim Lessons	\$ 366,233	\$ 74,762	\$ 291,471	20.41%	2,623	\$ 139.62	\$ 28.50
TAAF Swim Team	\$ 105,975	\$ 17,065	\$ 88,910	16.10%	201	\$ 527.24	\$ 84.90
Total	\$1,038,817	\$ 348,881	\$ 689,936	33.58%			

Aquatics utilizes the “minimal fee support” requirement as set forth in the fiscal budget, and therefore requires only a 0% to 50% cost recovery. For Open Swim, DMG-MAXIMUS has established a 50% recovery rate, as well as approximately a 20% recovery rate for Swim Lessons, and approximately a 20% recovery rate for TAAF Swim Team. The table on the following page outlines the potential additional revenue for Aquatics Programs:

Aquatics Potential Revenue Increases

Activity	Cost	Current Revenue	Units	Cost per Unit	Potential Fee	Total Potential Revenue	Potential Additional Revenue
Open Swim	\$ 566,609	\$ 257,054	114,319	\$ 4.96	\$ 2.50	\$ 285,798	\$ 28,744
Swim Lessons	\$ 366,233	\$ 74,762	2,623	\$ 139.62	\$ 30.00	\$ 78,690	\$ 3,928
TAAF Swim Team	\$ 105,975	\$ 17,065	201	\$ 527.24	\$ 100.00	\$ 20,100	\$ 3,035
Total	\$ 1,038,817	\$ 348,881				\$ 384,588	\$ 35,707

As some pools currently charge different fees than others, DMG-MAXIMUS felt it would be appropriate to increase pool charges across the board approximately 25%. The following table indicates the proposed fees for each pool:

Pool Rate Increase

Pool	Current Fee	% Increase	Increased Fee
Hallaran/Thomas	\$ 2.00	25%	\$ 2.50
Natatorium	\$ 2.00	25%	\$ 2.50
Adamson	\$ 3.50	25%	\$ 4.50

D. Rentals

Pavilion Rentals provide attractive, well-maintained outdoor covered facilities for the use of local residents and businesses for private gatherings (company parties, birthday parties, wedding receptions, family reunions, etc.). Pavilions range in size, accommodating anywhere from 30 to 300 people. All offer picnic tables and barbecue pits. Some also include rest rooms, full-size kitchens, and exclusive use of playground equipment, volleyball courts, and horseshoe pits.

Ball field rentals allow citizens to access softball fields for practice and tournaments. The individual or individuals in charge of a tournament must meet with representatives of the Athletic and Park Operations staff before the tournament to arrange any tournament and maintenance details.

Pool rentals provide children with a positive, aquatic birthday experience and parents with an alternative site for birthday parties. Parties are two hours in length and the staff blocks the area, decorates, sets up the party, serves food, and cleans up.

The following table provides costs, revenues, and percentage of cost recovery for rentals:

**Rentals
Cost/Revenue Analysis**

Activity	Cost	Revenue	Difference	Percent of Cost Recovery	Units	Cost per Unit	Revenue per Unit
Pavilion Rentals	\$ 39,887	\$ 17,043	\$ 22,844	42.73%	355	\$ 112.36	\$ 48.01
Hallaran/Thomas Rental	\$ 11,978	\$ 3,150	\$ 8,828	26.30%	24	\$ 499.08	\$ 131.25
Natatorium Rental	\$ 13,859	\$ 2,155	\$ 11,704	15.55%	28	\$ 494.96	\$ 76.96
Adamson Rental	\$ 34,168	\$ 25,738	\$ 8,430	75.33%	71	\$ 481.24	\$ 362.51
Ball Field Rental	\$ 148,768	\$ 2,235	\$ 146,533	1.50%	35	\$ 4,250.51	\$ 63.86
Total	\$ 248,660	\$ 50,321	\$ 198,339	20.24%			

According to the Financial Policies, rentals are required to yield 0 to 50% cost recovery. The following table indicates the potential cost recovery for rentals, as identified by DMG-MAXIMUS, at a 50% cost recovery:

**Rentals
Potential Revenue Increases**

Activity	Cost	Current Revenue	Units	Cost per Unit	Potential Fee	Total Potential Revenue	Potential Additional Revenue
Pavilion Rentals	\$ 39,887	\$ 17,043	355	\$ 112.36	\$ 55.00	\$ 19,525	\$ 2,482
Hallaran/Thomas Rental	\$ 11,978	\$ 3,150	24	\$ 499.08	\$ 290.00	\$ 6,960	\$ 3,810
Natatorium Rental	\$ 13,859	\$ 2,155	28	\$ 494.96	\$ 215.00	\$ 6,020	\$ 3,865
Adamson Rental	\$ 34,168	\$ 25,738	71	\$ 481.24	\$ 365.00	\$ 25,915	\$ 177
Ball Field Rental	\$ 148,768	\$ 2,235	35	\$ 4,250.51	\$ 2,125.00	\$ 74,375	\$ 72,140
Total	\$ 248,660	\$ 50,321				\$ 132,795	\$ 82,474

E. Recreation Centers/Conference Center

The College Station Conference Center is a facility that is available to a broad spectrum of groups with no one group or type being allowed to dominate the Center. Preference is shown for groups who do not operate on a permanent basis, and would not, therefore, tend to have a facility of their own in which to operate. The Conference Center has public meeting rooms, a kitchen, deck, patios, audio/visual equipment and other amenities.

The Teen Center provides the youth of College Station a place of their own. It provides educational and recreational opportunities to the youth of College Station. The facility

consists of two rooms with internet-capable computers, game room, dance floor, sound and light system and a snack bar.

The Lincoln Center provides many services to the citizens of College Station, including acting as a hub for the Boys and Girls Club, as well as hosting various activities for seniors. The Lincoln Center houses a computer center, and a full size basketball court and provides many educational and recreational opportunities.

The following table provides costs, revenues, and percentage of cost recovery for the recreation centers:

**Recreation Centers
Cost/Revenue Analysis**

Activity	Cost	Revenue	Difference	Percent of Cost Recovery
Lincoln Center	\$ 295,288	\$ 13,649	\$ 281,639	4.62%
Teen Center	\$ 258,198	\$ 10,424	\$ 247,774	4.04%
Conference Center	\$ 317,318	\$ 124,072	\$ 193,246	39.10%
Total	\$ 870,804	\$ 148,145	\$ 722,659	17.01%

Although potential revenue increases are not identified for the Recreation Centers, it would be beneficial for the Parks and Recreation Department to identify whether or not an increase in costs for the Conference Center should be addressed. The Conference Center is utilized, for the most part, by adults, and therefore would be subject to the policies associated with Adult Activities. If a 50% collection rate were utilized, the City would stand to gain approximately \$35,000 annually in revenue. It is the opinion of DMG-MAXIMUS, INC., that an increase in fees at the Teen and Lincoln Centers would possible decrease attendance, and would not be a significant benefit to the City.

F. Other Activities

The City of College Station operates the Wolf Pen Creek Amphitheater, which hosts a variety of entertainment events throughout the season targeted to all ages and interests. The full cost of maintaining this facility can be found in the table below.

The City of College Station operates an enterprise fund for the Parks and Recreation Extra Education Program. All enterprise funds are required to collect between 80 and 100% of all costs according to the city's financial policies. Currently, the Extra Education program recovers only approximately 91.24%, and is therefore meeting the policy as written in the budget document. This is illustrated in the table below.

The Parks and Recreation Department is responsible for the maintenance of the City of College Station Cemetery. Plots are purchased through the City Secretary's Office. The table below illustrates the full cost of maintaining the cemetery. Although the City may consider the implementation of a perpetual care fund, this would fall beyond the scope of this study. DMG-MAXIMUS has identified the costs of operating and maintaining the Cemetery in the table below.

The Parks and Recreation Department allows other organizations to utilize the facilities at no cost to participants. These leagues include Soccer, Little League, and Tournaments. These activities require substantial maintenance costs, which are currently not being recovered by the City. The table below identifies these costs:

**Other Activities
Cost/Revenue Analysis**

Activity	Cost	Revenue	Difference	Percent of Cost Recovery
Wolf Pen Creek Amphitheater	\$ 16,716	\$ 4,179	\$ 12,537	25.00%
Extra Education	\$ 67,732	\$ 61,800	\$ 5,932	91.24%
Cemetery	\$ 163,773	\$ -	\$ 163,773	0.00%
Soccer	\$ 137,025	\$ -	\$ 137,025	0.00%
Little League	\$ 183,858	\$ -	\$ 183,858	0.00%
Tournaments	\$ 110,678	\$ -	\$ 110,678	0.00%
Total	\$ 679,782	\$ 65,979	\$ 613,803	9.71%

IV. BENEFITS AND POLICY CONSIDERATIONS

Benefits of Indirect Cost Allocation Plans

There are several benefits that the City will derive from the cost allocation plans that adequately and consistently document administrative indirect costs. Benefits include documenting the maximum allowable administrative transfers to the General Fund, allowing for the recovery of indirect costs from State and Federal grants and contracts, a more comprehensive and consistent cost accounting capability in determining the full cost of City services and the cost plan can form the basis of cost/benefit analysis particularly for administrative services.

Benefits of User Fee Study

The User Fee Study will provide the City with several benefits including a knowledge of current activity costs which will provide a bench mark for the future, increased revenue from existing fee areas, revenue from new fee areas and staff utilization information. The study can be used as a basis for prioritizing resource utilization.

Pricing Approaches

The basic theories behind user fees are that any service provided for a specific individual or group should not be paid from general taxes, that services provided to non-residents should not be paid from general taxes, and that beneficiaries of a service should pay for the service. Keeping these theories in mind, setting fees is essentially equivalent to establishing prices for services. In the private sector, prices are usually set in a manner that is expected to maximize profits. Since making a profit is not an objective of the City in providing services, it is commonly felt that fees should be established at a level that will recover the cost of providing each service. However, there are circumstances in which it might be regarded as a reasonable policy to set fees at a level that does not reflect the full cost of providing the service. *Cost does not necessarily equal price.* Therefore, it is important to discuss some of the ramifications of these non-cost factors so that the role of the cost figures may be placed in proper perspective.

Demand-Oriented

The price charged for a service affects the quantity demanded by potential users. In many instances, raising the price of a service results in fewer units of service being demanded. And, the volume of that service produced affects the unit cost of a service.

This poses a special problem for the City when attempting to set fees on a basis that will recover the full cost of providing the services. As noted above, the unit cost of a service may rise or fall depending on the volume produced, and that volume may depend on the volume demanded, which, in turn, may depend on the fee charged. Fees charged for recreational services provide a good example of this concept. Quite reasonably, children, senior citizens and others with limited means may discontinue using a recreational facility if fees are raised significantly. They may regard the services as desirable, but not essential, and find other means of recreation. The resulting decrease in volume would then increase the unit cost; a situation that would require additional fee increases. Some services' fees, however, probably will not be responsive to volume demand because the services will be used regardless of the fees charged.

Society Oriented

User fees are often established on a principle that requires those who use the service to bear the cost of producing it. Although this principle is firmly established in the private enterprise system, there may be City activities for which it is regarded as inappropriate. Accordingly, it may be preferable to set fees for some services below full cost. Consequently, the ramifications of a subsidization policy should be fully understood.

Subsidies are provided for two basic purposes. The first is to permit an identified group (e.g., senior citizens, students, public assistance recipients) to participate in services that they might not otherwise be able to afford. This is a legitimate function of government, assuring all citizens' access to important services without regard to their ability to pay. While such subsidies could be granted on the basis of a means test (not all senior citizens are economically deprived), ease of administration and concern for dignity often suggest offering particular subsidies to broad groups that may include many who are able to afford the full cost of the service. Such subsidies may be achieved either through rate structures (i.e., charging lower fees to certain groups for common service) or through reducing fees for services most likely to be utilized by particular groups.

The second purpose of subsidies is to provide services that may benefit those not qualifying as immediate recipients. For example, code enforcement inspections ensure compliance with City zoning ordinances. Ordinances are designated to safeguard communities from deteriorating properties, which ultimately impact the homeowner by lowering property values and causing possible health and safety problems. In this case and similar cases, it may be regarded as appropriate to spread the cost of services over the large base of potential beneficiaries.

Economic Incentives

It may be desirable to use fees as a means of encouraging certain activities or patterns of use. For example, setting a relatively high fee for scarce resources such as water may encourage conservation. Inexpensive products or services, on the other hand, often encourage waste.

There are several ways to modify patterns of use. It may be desirable to shift the time of day or season in which services are in greater demand. If spreading out a peak load, for example, results in reducing the need for more capacity, perhaps savings could be achieved that would justify a lower rate. Changing fee structures, through offering lower rates during off-peak hours or seasons, may also change usage patterns.

Competition Oriented

Although the City may monopolize certain services within its boundaries, there are many instances of competitive pressure, which contain the ability to raise fees. There may be in the private sector alternatives to using City services. For example, instead of attending a recreation program at a park, citizens may go to a movie or watch television.

When there are alternatives available, the City may decide the private sector or another governmental entity can provide cheaper and more effective service, thereby eliminating its role in a particular service area. In this manner, competition may inhibit full recovery of costs, but at the same time, it also gives the City the option of reducing non-essential services and reducing City costs.

Cost Oriented

The most straightforward alternative includes those services where it is appropriate to recover costs or generate revenues in excess of costs. Typically these services have traditionally and historically recovered full cost and there is a consensus that these services should be entirely user fee supported.

Pricing Policy Matrix

As the City determines user fee policy for each department and each individual fee area, it may be helpful to consider the following decision matrix.

	1	2	3	4
Who Benefits	Entire Community	Primarily the Community and also the Individual	Primarily the Individual and also the Community	The Individual Only
Type of Service	Public	Public and Private	Private and Public	Private
Pricing Method	No Cost	Variable Pricing	Partial Overhead Pricing	Average Cost Pricing/or Market
Cost Recovered	None	Direct Operating Costs Recovered	All Direct Costs & Some Overhead Recovered	All Costs Recovered/or Market

Conclusion

This Executive Summary presents a high level overview of our costing approach. Detailed indirect cost allocation plans and user fee studies have been provided to the City as separate documents. DMG-MAXIMUS, INC. appreciates this opportunity to be service to the City of College Station, Texas in the identification of the Parks and Recreation Department's costs of services in order to update user fee charges. We welcome the opportunity to provide any clarification or additional information on our findings that the City may require.