

STAFF REPORT
CORONADO PARKS AND RECREATION COMMISSION

August 12, 2024

Section 6, Item a.

RECEIVE AND REVIEW THE RECREATION FEE STUDY AND COST RECOVERY MODEL AND RECOMMEND APPROVAL TO CITY COUNCIL.

RECOMMENDATION: Receive and review the Recreation Fee Study and Cost Recovery Model, provide direction to staff, as appropriate, on refinement to the recommendations to the Department's cost recovery target, program classifications for cost recovery targets, Facility Use Policy updates, Recreation Fee Schedule updates, pilot program to operate the skate park with intermittent supervision, and annually increase the Recreation Fee Schedule based on CPI, and recommend approval to City Council.

BACKGROUND:

Fees are assessed for facility rentals, recreation programs, and tennis & pickleball programs to recover costs associated with the operation of the department. The current format and structure of fees and use policies for Recreation have been in use since Resolution 7551 was established in 1998. Since then, multiple resolutions have been approved to intermittently address changes in policy, addition/modification of facilities, consumer price index changes, incremental fee increases, and usage studies completed by the department; however, a holistic review of fees and use policies for Recreation, Golf, and Tennis & Pickleball operations has not been performed.

Consequently, Recreation and Golf Services retained Next Practice Partners, LLC (NPP), a qualified consulting firm with specific experience and expertise in comprehensive fee analysis and cost recovery model development for parks and recreation agencies to complete a comprehensive fee study and develop a full cost recovery model and policy plan.

The evaluation and City Council approval of the updated Golf Fees was completed in 2023 with implementation in January 2024. The remainder of the study is specific to Recreation.

The primary objectives of the study are as follows.

1. Identify the Department's true cost of operations.
2. Determine the Department's cost recovery percentage goal.
3. Develop program classifications and determine cost recovery targets accordingly.
4. Update the Department's Fee Schedule.
5. Update the Department's Facility Use Policy.
6. Evaluate the operational philosophy of the Coronado Skate Park.
7. Consider annual consumer price index increases to the Fee Schedule.

Underscoring the entire project is robust community input and engagement. NPP conducted a Community Workshop on August 24, 2023, to engage the community on the process of the project. NPP then facilitated a statistically valid community survey via ETC Institute, a national survey firm specializing in parks, recreation, and community services. The survey process obtained 372 responses, which, given the population of Coronado, translates to a 95% level

of confidence with a margin of error of +/- 4.9%. The expected response rate for the survey was 300 responses. Additionally, an online, open-access community survey was available which received an additional 102 responses.

The goals of the surveys were two-fold: prioritizing community needs and gauging support for pricing methods.

The results of the surveys showed significant support for differential pricing for residents vs. nonresidents, as well as seniors vs. adults in most areas. Additionally, there was strong support for differential pricing for military vs. civilians. These results informed recommendations in classifications for facility use, fees for use of facilities, and program classifications.

On July 8, 2024, NPP and the Department conducted two (2) Community Workshops to provide an overview of the findings from the survey, an overview of the data collection process, and initial thoughts on recommendations to fee and policy updates.

ANALYSIS:

Identify True Cost of Operations

The first objective of the study was to identify the true costs of the operation of the Department. These costs include staff, utilities, repair and maintenance, contracts, contract instructors, janitorial, supplies, and overhead costs including Department administrative support, Citywide administrative support, and recent capital expenses. NPP developed a cost-of-service model, which is a tool for staff to enter data to capture costs and revenues associated with each division and program.

The costs are classified as 3 cost types: direct costs, indirect costs, and overhead.

- Direct costs are the variable costs directly associated with the facilitation of the program or service, such as dedicated staff, program supplies, and contracts or contract instructors specific to the use.
- Indirect costs are the less-variable costs associated with operating the Department, but supportive of the program or service itself, which include a percentage of the utilities, janitorial, materials, repair and maintenance, and Division staff support.
- Overhead costs include Department administrative support, Citywide overhead, and recent capital expenses.

Department administrative support is the allocation of costs associated with the Recreation Department's administrative division across each division and program, based on the percentage of associated staff time to the Department's overall staff budget.

Citywide overhead is the allocation of costs associated with other City Departments' support of Recreation, including Administrative Services (Human Resources, Finance, Information Technology), City Clerk's Office, City Manager's Office, and Public Services Construction & Maintenance Division. The Recreation expenditures equal 10.15% of the overall General Fund budget, so the allocation was based on 10.15% of the associated expenses in each Department listed. The total overhead allocation to Recreation for Citywide services was calculated at \$2,183,388. This overhead allocation is divided up among each division and

program based on the percentage of associated staff time to the Department's overall staff budget.

The recent capital expenses which were shown in the draft cost-of-service model include the court resurfacing project and the aquatics center renovation project. Each project was divided by the number of estimated years until a similar project is likely to occur. The court resurfacing project was amortized over seven (7) years, and the aquatics center renovation project was amortized over fifteen (15) years.

Cost Recovery Overview

Many Recreation programs and services, including facility rentals, have fees associated with their use and participation. The revenue received from these programs and services goes towards covering a portion of the cost of operating the Department. All additional costs are subsidized by the general fund, primarily funded through taxes. During the creation of the City's budget every year, the Department requests a transfer-in subsidy from the general fund to balance the budget based on projected expenses and revenues, but there currently is not a cost recovery target for the Department.

Cost recovery goals can be achieved through two methods or a combination of both: increase revenue or decrease costs. The creation of the cost-of-service model allows the Department to evaluate expenses and revenues specifically for the divisions and programs to determine if control measures on costs are necessary or if revenues need to be increased to improve cost recovery.

Currently, the Department's overall cost recovery incorporating direct and indirect costs is 35%, and, if inclusive of all Overhead costs, is 20%.

An overview of the cost-of-service model and cost recovery overview was presented at the community workshops on July 8. Notable feedback received by the Department was to consistently apply capital expenses across all divisions and programs, if accounted for at all, and to remove non-variable costs, including overhead costs.

Recommendation #1 – Review and recommend to City Council approval of a department cost recovery target of 40% utilizing direct and indirect costs.

The Department cost recovery target would identify the amount of tax-payer subsidy to offset the overall operations of the department.

Program Classifications

Within the department operations are many programs and services provided to the community. Not all programs are created alike. A swim lesson that teaches a child a critical life-saving skill in a community surrounded by water has more community benefit than an adult individual learning to play a musical instrument. Cost recovery targets for programs should be variable based on the following:

- Community values and priorities reflected in the surveys.
- Department-informed and Consultant-informed level of community benefit and level of exclusivity.
- Quality of experience.
- Benchmarking against other agencies.
- Consideration of contract providers.
- Alignment with the mission of the Department.

Since programs have high variability, with new programs potentially being developed monthly, aligning programs into classifications allows the Department to identify appropriate program fees based on projected costs and participation data input into the cost-of-service model.

Recommendation #2 – Review and recommend to City Council approval of the following program classifications for cost recovery targets:

- TIER 1 (Less than 30% cost recovery)
 - Program examples include Swim Lessons, Senior Health/Wellness Programs
- TIER 2 (31-60% cost recovery)
 - Program examples include Adult Health/Wellness Programs, Youth Day Camps
- TIER 3 (Higher than 61% cost recovery)
 - Program examples include Enrichment Camps/Classes, Staff-facilitated Pool Birthday Parties

Tier 1 programs provide the most community benefit and are the most subsidized. Tier 2 provides a balance of individual and community benefit, while Tier 3 provides the most individualized benefit and the least amount of subsidy.

While programs have high variability, cost control measures that are more easily identifiable, and more subjectivity on level of community benefit, facility use generally has less variability, mostly fixed costs, and mostly exclusive use. These fees are identified in the Recreation Fee Schedule, which is a City Council-approved list of fees for various facilities, rentals, and memberships for the Department. The Facility Use Policy informs much of the application of the Recreation Fee Schedule but has been noted by staff and members of the public to be confusing and difficult to administer.

Facility Use Policy Updates

The Facility Use Policy provides guidance and policy direction on the utilization of Recreation facilities, including the Community Center, Parks and Beaches, Tennis Center, Aquatics Center, Club Room, Boathouse, and John D Spreckels Center. The Facility Use Policy is currently merged with the Recreation Fee Schedule and has been challenging to administer with several areas of subjectivity and several areas of contradiction.

To ensure equitable access for community users, clear guidelines, and the efficient administration of facility use requests, staff worked with NPP to modify the Facility Use Policy.

Some key recommendations include:

1. Streamlining user classifications.
 - a. The current policy has seven (7) classifications.
 - b. The update has three (3) classifications: Resident, Nonresident, Commercial.
 - c. Coronado Schools and Nonprofits can qualify as Resident, if appropriate.
 - d. Military personnel who are stationed at a Coronado installation, and their families, can now qualify as Resident.
2. Removal of \$25 application fee.
 - a. With the introduction of the Department's new software program in 2023, the administration of facility rentals is more efficient and able to accept more requests for use.
 - b. Other City departments may be able to request use of Department facilities directly utilizing the software.
3. Inclusion of free room usage for Resident Nonprofit meetings.
 - a. Subject to availability and certain conditions, verified Resident Nonprofit organizations looking to host meetings that are open to the public and during operational hours of the facilities, may use identified rooms with no charge.
 - b. Rooms include the Sand Dollar Room, Abalone Room, Activity Room, Green Room, and Golf Course Boardroom.
4. Removal of age-based limitations on rental options.
5. Inclusion of Outdoor Instruction Permits.
 - a. Permit opportunity for Commercial Instruction of up to 10 participants at identified Park and Beach locations which do not conflict with other reservable areas.
 - b. Hourly rates and other requirements apply.
6. Inclusion of Volleyball Courts and Athletic Fields as reservable facilities.
 - a. Previously, all outdoor athletic facilities were not identified.
7. Recurring Use Language updated.
 - a. Allows the option for recurring facility use that is in alignment with the mission of the Department.

Recommendation #3 – Review and recommend to City Council approval of the proposed updated Facility Use Policy and replace the current Facility Use Fees and Policies.

Recreation Fee Schedule updates

As noted previously, the Recreation Fee Schedule is inclusive of City Council-approved facility use, rentals, and memberships. Facility Use is generally exclusive to the renter so the renter should cover the majority, if not all, the cost without subsidy from the taxpayers thus ensuring cost recovery is as high as possible; however, increasing fees too high can reduce utilization. Staff have analyzed usage and financial data and have prepared the recommendations shown in the proposed Recreation Fee Schedule updates.

Some key recommendations include:

1. Many reservation rates for residents remaining relatively flat.
2. Increase Nonresident and Commercial rates.
3. Facility users will now need to reserve set-up and tear-down facility time for reservations, instead of a reduced-fee add-on.
4. Specific Park and Beach permit locations included.
5. Outdoor Instruction Permit option.
6. Increase Tennis & Pickleball Court Reservation Fees.
7. Modest increase to Membership fees.
8. Slight decrease in Boathouse vessel rentals to increase utilization.

Tennis & Pickleball Court Reservation Fees

The Department contracts with Impact Activities to provide tennis and pickleball programs for the City of Coronado. Impact Activities pays the Department \$50,000 annually, and retains all revenue associated with the use of tennis or pickleball courts or programs. The Department bears the costs of maintenance, utilities, infrastructure-related repairs, and administrative staffing support for all tennis and pickleball courts. The current cost recovery for tennis and pickleball is 20%, inclusive of direct and indirect costs. If overhead and capital costs for the previous court resurfacing project are included, then the cost recovery drops to 15%. Future proposed capital costs include full court renovations at Cays Park, additional lighting at the Tennis Center, and fence replacement at all courts. With the current contract structure of fixed annual revenue, any additional increases in fees would not result in a change in the City's cost recovery percentage.

Most tennis providers offer a full suite of programs, leagues, lessons, and court reservations. Impact Activities provide management for all tennis and pickleball play in addition to programs and lessons and provide on-site staffing at the tennis center, except for offerings from the Coronado Tennis Association (CTA). The CTA plays a role in facilitating various tennis activities exclusively for its members, primarily, USTA and San Diego league matches against offsite clubs and facilities, monthly mixers, a weekly round robin, men's ladder play, and an annual tournament. The CTA reserves court space from Impact Activities for the facilitation of their programs and their use of court reservations equals roughly 12% of total court reservations annually at the Tennis Center. The CTA's self-reported membership for 2024 is composed of 275 members, 68% of which are Coronado residents. The Department currently does not have a use agreement with the CTA and the Department does not receive any payments or revenue from the CTA.

Court reservation fees are only applicable to reserved times. If any member of the public would like to play tennis or pickleball for free on any of the courts designated for such activity, subject to availability, free access will always be maintained. Currently, the court reservation fees are \$5 for 2 hours for Residents, and \$15 for 2 hours for Nonresidents.

Tennis Court reservation fees for other clubs/agencies are as follows:

- Pacific Beach Tennis Club - \$10 day pass (per person, 1.5-hour court time)
- La Jolla Tennis Club - \$10 (per person, 1-hour court time, members only)
- Balboa Tennis Club - \$10 (per person, 1.5-hour court time)
- Lake Murray Tennis Club - \$10 (per person, 1.5-hour court time)
- Barnes Tennis Center - \$10 (per person, 1-hour court time)
- City of Chula Vista - \$16/hr. - \$32/hr. per court
 - City of Chula Vista allows for free drop-in access to courts, if available
- City of Carlsbad – does not accept reservations, but allows for free drop-in access to courts, if available

Pickleball Court reservation fees for other clubs/agencies are as follows:

- Pacific Beach Tennis Club - \$16/hr. per court
- Barnes Tennis Center - \$20/hr. - \$28/hr. per court
- Bobby Riggs - \$14/hr. per court
- Coronado Marriott - \$12/hr. per court
- City of Chula Vista - \$16/hr. - \$32/hr. per court
 - City of Chula Vista allows for free drop-in access to courts, if available
- City of Carlsbad – does not accept reservations, but allows for free drop-in access to courts, if available

The Department has been in contact with Impact Activities, as well as the board of the CTA, to understand needs and developed the following recommended rates, which are also shown in the proposed Recreation Fee Schedule update, and are supported by Impact Activities:

Reservation Rates	Tennis Center	Off-Site (Cays, Library, HS)	Pickleball
Year One			
Resident	\$5/hr.	\$3/hr.	\$3/hr.
Nonresident	\$20/hr.	\$10/hr.	\$10/hr.
Year Two			
Resident	\$7.50/hr.	\$4/hr.	\$4/hr.
Nonresident	\$20/hr.	\$10/hr.	\$10/hr.
Year Three			
Resident	\$10/hr.	\$5/hr.	\$5/hr.
Nonresident	\$20/hr.	\$10/hr.	\$10/hr.

The CTA board mentioned they are supportive of the first-year increase to \$5/hr. for Residents and \$20/hr. for Nonresidents but are not supportive of the subsequent years, stating their reserves would be diminished in less than a year thereafter.

CTA annual membership rates are currently \$60 for Residents and \$90 for Nonresidents and the organization has mentioned they would need to raise rates to manage any increase in court reservation fees but believe more than \$5/hr. for Residents is not sustainable for their organization. Impact Activities does not provide membership options. For reference, listed below are membership rates for other tennis clubs in San Diego.

Tennis annual membership rates at other tennis clubs are as follows:

- Pacific Beach Tennis Club - \$295
- La Jolla Tennis Club - \$205
- Balboa Tennis Club - \$300 - \$450
- Lake Murray Tennis Club - \$335
- Barnes Tennis Center - \$225 - \$350

Beginning in Year 2, the proposed rates would also coincide with an amendment to the contract with Impact Activities to provide additional revenue to the City, via a percentage revenue share of gross court reservations.

At the community workshops on July 8, 2024, there were several questions related to utilization data of both tennis courts and pickleball courts. This chart is a summary of the most recent data received specifically related to court reservations. This is not inclusive of any additional programming or lessons provided by Impact Activities.

Pickleball Court Reservations (Cays Park)	
Total number of hours	11,750
Resident Court Usage	66%
Nonresident Court Usage	34%
Resident Court Revenue	37%
Nonresident Court Revenue	63%
Tennis Court Reservations (Tennis Center)	
Total number of hours	5,652
Resident Court Usage	69%
Nonresident Court Usage	31%
Resident Court Revenue	41%
Nonresident Court Revenue	59%

Additionally, at the community workshops, a question was posed about the City's desire to provide tennis programming without Impact Activities. Impact Activities provides high quality tennis programming, facility oversight, and pro shop operations. If Impact Activities would choose to terminate the agreement, the Department would be responsible for providing the same services, which we currently do not have the capacity or expertise to do so, especially to the level of quality that is currently being provided by Impact Activities.

Recommendation #4 – Review and recommend to City Council approval of the proposed updated Recreation Fee Schedule and replace the current Facility Use Fees and Policies.

Skate Park Operational Philosophy

The Coronado Skate Park, located in Tidelands Park, was opened in 2001. The Skate Park is open, on average, 28 hours per week, with an average of about 4 participants per day. The Skate Park allows for all non-motorized wheeled devices, including skateboards, scooters, BMX bicycles, and wheelchairs. The current cost recovery for the Skate Park is 15%, inclusive of direct and indirect costs. The Skate Park is staffed with employees who open the facility, collect registration fees and liability waivers, ensure participants are wearing all protective gear, and rent equipment to participants, if necessary.

The Department is evaluating the option to provide intermittent supervision of the Coronado Skate Park without onsite access control and eliminate fees for use.

Many opponents of unsupervised skate parks reference a negative perception of skate park behavior, associated risk of increased vandalism, or increased incidents of injury. A recent survey of many Southern California municipalities who manage skate parks showed most of the skate parks were unsupervised. These cities include Irvine, Long Beach, Costa Mesa, Laguna Hills, Cypress, Anaheim, Carlsbad, San Diego, Poway, Chula Vista, La Mesa, Oceanside, San Marcos, and National City. While each community is different, none expressed the desire to move to a supervised operational model.

Skateboarding is a healthy activity that has inherent risks, as do all recreation activities. A 2002 study published by the National Institutes of Health noted the emergency department-treatment skateboard associated injuries were about half as high (8.9 per 1,000 participants) as basketball (21.2 per 1,000 participants), and most of the hospitalization of skateboard-associated injuries occurred because of a crash with a motor vehicle.

Additionally, skateboarding made its debut as an Olympic Sport in the 2020 games in Tokyo, and continued with the 2024 Olympic games, which may generate additional interest in the activity especially with the upcoming 2028 Olympic Games being held in Los Angeles.

The benefits of continuous supervision of the Skate Park include oversight if injury, misuse, or conflict occurs. Staff would also be onsite if there is a need for the rental of equipment or an immediate maintenance need of the area.

The benefits of intermittent supervision of the Skate Park include reduced barriers of access by eliminating the cost and increasing operational hours. It would provide cost savings by reducing staff time to manage the onsite access. It would also encourage self-governance which could provide an opportunity for increased community engagement with the facility.

The staff costs would not be eliminated. Staff would still be required to open the park in the morning, and ensure the facility is safe, clean, and free of debris on the ground. Staff may intermittently stop by to ensure facility cleanliness and safety and will close the Park at dusk and during inclement weather.

Recommendation #5 – Review and recommend to City Council approval of a pilot program to operate the Coronado Skate Park with intermittent supervision.

This action could potentially require an amendment to the Tidelands Use and Occupancy Permit with the Port of San Diego to update the language.

Consumer Price Index Annual Increase

The Consumer Price Index (CPI) is a measure of the average change, over time, in prices paid for consumer goods and services in the market. CPI is often used to adjust dollar values in organizations. With continued inflation and the need to account for diminished dollar values, annually adjusting fees for service based on an approved index avoids larger, more significant increases in the future.

Recommendation #6 – Review and recommend to City Council approval of annually increasing the Recreation Fee Schedule based on CPI, rounded to nearest dollar.

Tennis and Pickleball Court Reservations fees would not be subject to CPI increases in the first three (3) years of the updated Recreation Fee Schedule but would be included in the annual change starting in Year 4.

SUMMARY OF RECOMMENDATIONS:

1. Recommendation #1 – Review and recommend to City Council approval of a department cost recovery target of 40% utilizing direct and indirect costs.
2. Recommendation #2 – Review and recommend to City Council approval of the following program classifications for cost recovery targets: TIER 1 (Less than 30% cost recovery) / TIER 2 (31-60% cost recovery) / TIER 3 (Higher than 61% cost recovery)
3. Recommendation #3 – Review and recommend to City Council approval of the proposed updated Facility Use Policy and replace the current Facility Use Fees and Policies.
4. Recommendation #4 – Review and recommend to City Council approval of the proposed updated Recreation Fee Schedule and replace the current Facility Use Fees and Policies.
5. Recommendation #5 – Review and recommend to City Council approval of a pilot program to operate the Coronado Skate Park with intermittent supervision.
6. Recommendation #6 – Review and recommend to City Council approval of annually increasing the Recreation Fee Schedule based on CPI, rounded to nearest dollar.

FISCAL IMPACT:

Ongoing fiscal impact will vary based upon future program and facility rental activity. Future budgets will be adjusted to reflect actual revenue activity.

ATTACHMENTS:

1. Proposed Updated Facility Use Policy
2. Proposed Updated Recreation Fee Schedule
3. Current Facility Use Fees and Policies