



CITY OF CORONADO

CITY COUNCIL STAFF REPORT

September 17, 2024

{{section.number}}b

PUBLIC HEARING TO CONSIDER ADOPTION OF UPDATED RECREATION FEES AND CHANGES TO RECREATION POLICIES RELATED TO COST RECOVERY AND FACILITY USE

RECOMMENDATION:

Conduct a public hearing and adopt “A Resolution of the City Council of the City of Coronado, California, adopting a revised Recreation Fee Schedule, a cost recovery goal for the Recreation Department of 40% to 60%, and an updated Recreation Facility Use Policy,” and approve program classification tiers, program discounts for residents and seniors (55+), annual adjustments to the Recreation Fee Schedule based on Consumer Price Index with a re-evaluation of all fees every 5 years, and a pilot program to operate the skate park with intermittent supervision.

BACKGROUND:

The City of Coronado (City) assesses fees for facility rentals, recreation programs, and tennis and pickleball programs to recover costs associated with the operation of the Recreation and Golf Services Department (Recreation or 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, the City Council has approved resolutions to address changes in policy, addition/modification of facility operations, consumer price index changes, incremental fee increases, and usage studies; however, to date a holistic review of fees and use policies for Recreation, Golf, and Tennis and Pickleball operations has not been performed.

The City retained Next Practice Partners, LLC (NPP), a qualified consulting firm with specific experience and expertise in 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 for Coronado.

The first part of the fee study, updating the Golf Fees, was completed in 2023 and implemented in January 2024. The remainder of the study is specific to Recreation and is the scope of this report.

After robust community engagement, including a statistically-valid resident survey, conducting several public workshops, and public presentations to the Parks and Recreation Commission and City Council, staff recommends the following actions for Council approval.

Recreation Fee Study Recommendations:

1. Approve the Recreation Department cost recovery target of 40% to 60% utilizing direct and indirect costs.
2. Approve establishing classifications for cost recovery targets related to programs: TIER 1 (Less than 30% cost recovery) / TIER 2 (31-60% cost recovery) / TIER 3 (Higher than 61% cost recovery).
3. Approve program fee discounts up to 25% for residents and seniors (age 55+).
4. Approve the revised Recreation Facility Use Policy.
5. Approve the revised Tennis and Pickleball Court Reservation Fees.
6. Approve the revised Recreation Fee Schedule.
7. Approve annually adjusting the Recreation Fee Schedule based on CPI and re-evaluate all fees every 5 years.
8. Approve a pilot program to operate the Coronado Skate Park with intermittent supervision from January – June 2025.

ANALYSIS:

The following discussion outlines the recommendations for each of the project objectives.

Recommendation #1: Approve a cost recovery goal of 40% to 60% for the Recreation Department, utilizing direct and indirect costs

Recreation programs and services, including facility rentals, charge fees for use and participation. The revenue received from these programs and services cover a portion of the Department's operating cost, while the General Fund, primarily funded by taxes, subsidizes the remaining costs. During the City's annual budget process, the Recreation and Golf Services Department requests a transfer from the General Fund to balance its budget based on projected expenses and revenues; \$4.2 million annually has been transferred from the General Fund for the past three years. Currently, the Department lacks a uniform cost recovery policy.

Cost recovery can be achieved through two methods, or a combination of both: increasing revenue or decreasing costs. A Recreation cost-of-service (COS) model was developed by NPP and staff to capture costs and revenues associated with each division and program. It is a dynamic tool that can be updated by staff over time as data changes, allowing the City to reliably calculate current costs of service for our programs. The COS model allows the Department to evaluate specific expenses and revenues for divisions and programs to determine whether to implement cost control measures or increase revenues to improve cost recovery.

Staff and NPP presented the COS model and cost recovery goals at community workshops on July 8, and to the Parks and Recreation Commission on August 12 and City Council on September 3, 2024. Consistent public feedback throughout these meetings has been to consider direct and indirect costs only, and not to include overhead and capital costs in determining cost recovery targets.

The following table shows a summary of the information collected for the COS model utilizing data from calendar year 2023. Based on the data shown, the Department's overall cost recovery, including direct and indirect costs, is 35%, and, if inclusive of all overhead costs, is 20%.

PROGRAM CATEGORY	Recreation Community Center And Club Room	Aquatics	Recreation Spreckels Center	Recreation Parks & Beaches	Recreation Tennis	Overall
PROGRAM CATEGORY	SUMMARY	SUMMARY	SUMMARY	SUMMARY	SUMMARY	
Revenues	955,063	366,523	112,356	108,434	50,710	1,593,086
Total Program Costs	1,805,025	1,535,460	484,953	415,035	255,307	4,495,780
Capital Expenses	-	258,850	-	-	66,460	325,310
Department Administration	288,306	398,007	127,060	98,734	4,081	916,188
Citywide Overhead	660,589	911,947	291,131	226,227	9,350	2,099,244
Total Expenditures	2,753,920	3,104,264	903,144	739,997	335,197	7,836,522
Revenues Over (Under) Expenditures	(1,798,857)	(2,737,741)	(790,788)	(631,563)	(284,487)	(6,243,436)
Total Cost Recovery (with overhead + capital)	35%	12%	12%	15%	15%	20%
Direct/Indirect Cost Recovery	53%	24%	23%	26%	20%	35%

Cost recovery goals should balance sufficient revenue recovery with maintaining strong community demand. If balanced correctly, user fees should not discourage use of facilities and programs. A cost recovery formulation also considers that the portion of the fees not recovered from the user who is receiving the benefit is subsidized by the General Fund, and therefore all Coronado residents.

With Coronado's nation-leading community participation in Recreation services and world-class facilities, demand is strong to sustain fee increases.

The set of fee changes presented today would increase total cost recovery by 6% points to 41%. This modest increase to the Department's cost recovery is projected to result in continued high utilization, while reducing the General Fund subsidy for the Department's operations. Utilizing the FY 2024-25 budgeted figures, the recommendation to increase cost recovery by 5-25% points from the current 35% would generate approximately \$250,000 - \$1,250,000 annually. As fees are evaluated in the future, staff could recommend upward adjustments that may attain up to 60% cost recovery.

Recommendation #2: Approve establishing cost recovery tiers for classifications of programs:

- **TIER 1 (0-30% cost recovery)**
- **TIER 2 (31-60% cost recovery)**
- **TIER 3 (Higher than 61% cost recovery)**

The Recreation and Golf Services Department offers numerous programs and services to the community. Not all programs serve the same purpose or audience; for instance, some programs may have broader community benefits, while others cater more to individual interests. There are several additional factors that contribute to well-grounded cost recovery targets:

- Community values and priorities as 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 City and Department mission.

Given the high variability among programs and ongoing development of new programs to meet community needs, customizing a cost recovery goal program-by-program would be inefficient. Grouping programs into similar classifications and assigning cost-recovery ranges allows the Department to efficiently set appropriate program fees. The following table provides several examples of programs aligning within the proposed tiers.

TIER 1 (0 – 30% cost recovery)	TIER 2 (31 – 60% cost recovery)	TIER 3 (61% or higher cost recovery)
PROGRAM EXAMPLES		
Group Swim Lessons	Private Swim Lessons	Holiday Craft Events
Movie Night in the Park	Youth Day Camp	Youth Cooking Camp
Senior Chair Yoga	A-Team	Charter Bus Trip
Senior Strength, Balance, Flexibility	Youth Basketball	Armchair Travel
Health Partner Presentations	Tiny Tots Preschool Program	Tech Workshop

Tier 1 programs provide the most community benefit and would receive the highest public subsidies. Tier 2 provides a balance of individual and community benefit. Tier 3 provides the most individualized benefit and receives the least public subsidy.

Recommendation #3 – Approve program fee discounts up to 25% for residents and seniors (age 55+).

Results from the statistically valid survey strongly supported differential pricing for residents vs. non-residents, and seniors vs. adults, including in relation to program fees. The anticipated cost recovery for programs would be based on the highest fee rate, which applies to non-resident adults. Discounts for residents and seniors should still align within the program's cost recovery target range. If a program is specifically designed for seniors, a senior discount would not apply.

Recommendation #4 – Approve the revised Recreation Facility Use Policy.

The Facility Use Policy provides guidance and policy direction for utilizing Recreation facilities, including the Community Center, Parks and Beaches, Tennis Center, Aquatics Center, Club Room, Boathouse, and John D. Spreckels Center. Currently, this policy is combined with the Recreation Fee Schedule, and has led to challenges in administration due to areas of subjectivity and contradictions.

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

Some key recommendations in the revised policy include:

1. Streamlining facility user classifications.
 - a. The current policy has seven (7) classifications.
 - b. The update has three (3) classifications: Resident, Non-resident, and Commercial.
 - c. Coronado Unified School District falls under the Resident classification. Non-profits may qualify as Resident, if conditions are met.
2. Removal of the existing \$25 application fee.
 - a. The Department's new software program, introduced in 2023, has improved efficiency of facility rental administration, reducing staff time to the point where the \$25 cost recovery is no longer needed.
 - b. With the removal of the \$25 application, fee, other City departments can easily use the software to request Department facilities directly, thereby increasing efficiency across the organization.
3. Inclusion of free room usage for Resident Non-profit meetings.
 - a. Subject to availability and certain conditions, verified Resident Non-profit organizations can use designated rooms at no charge for public meetings held during operational hours.
 - 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. This permit allows Commercial Instruction for up to 10 participants at specified Park and Beach locations, provided there are no conflicts with other reservable areas.
 - b. Hourly rates and other requirements apply.
6. Inclusion of Volleyball Courts and Athletic Fields as reservable facilities.
 - a. Previously, these outdoor athletic facilities were not included in the list of reservable options.
7. Recurring Use Language updated.
 - a. This update allows for recurring facility use under specified conditions.

Recommendation #5 – Approve the revised Tennis and Pickleball Court Reservation Fees.

The City of Coronado has an inventory of 17 tennis courts and 8 pickleball courts. The Coronado Tennis Center hosts 8 tennis courts, along with a well-stocked pro shop and clubhouse. Additional courts are located at the High School (4 tennis courts), Library (2 tennis courts), and Cays Park (3 tennis courts and 8 pickleball courts). The Department contracts with Impact Activities to provide tennis and pickleball programs for the City of Coronado.

Court usage is categorized into three types:

1. Drop-in use – Free for resident if the court is not reserved or used for programs.
2. Programs or lessons – Provided by the Department's contracted tennis provider.
3. Reserved times – Exclusive use, with reservation fees applicable during reserved times. These fees apply to all courts.

Existing Fees

The existing fees for court reservations, inclusive of tennis and pickleball, are included in the following table:

Reservation Rates	All Courts
Classification D (Coronado Tennis Association)	\$10 per hour
Classification E (Resident)	\$5 per 2 hours
Classification F (Non-Resident)	\$15 per 2 hours

The existing reservation rates are consistent at all court locations, and are charged on a per-court basis, as opposed to a per-person basis. An individual making a court reservation does so as a resident or non-resident and the other players under that reservation are not verified for residency. Accordingly, there are no pricing or procedural mechanisms to ensure non-resident players are paying the appropriate rate for court reservations.

The existing fees for Classification D, which includes Coronado Tennis Association (CTA), were approved by City Council in 2012, but have not been charged appropriately. The CTA is currently paying \$3 per 2 hours for all their court reservations.

Proposed Fees

The proposed court reservations fees for both tennis and pickleball are included in the following table, and are inclusive of all users, including the CTA:

Reservation Rates	Tennis Center	Cays, Library, HS, Pickleball
Year One		
Resident	\$1.50/hour per person	\$3.00/hour per court
Non-resident	\$10.00/hour per person	\$10.00/hour per court
Year Two		
Resident	\$2.00/hour per person	\$4.00/hour per court
Non-resident	\$10.00/ hour per person	\$10.00/hour per court
Year Three		
Resident	\$2.50/hour per person	\$5.00/hour per court
Non-resident	\$10.00/hour per person	\$10.00/hour per court

The proposed fees for court reservations are tiered to allow users to gradually acclimate to the increases. The proposed fees at the Tennis Center are recommended to change to per-person, as opposed to per-court, due to onsite management of the facility, higher quality of amenities, and to allow for fairness in charging for residents and non-residents.

The proposed rates for Year 3 at the Tennis Center align with the rates that have been assigned to Classification D, which includes the CTA, since 2012.

Court Reservation Comparisons

To provide the most accurate comparisons, staff performed a usage analysis for court reservations prior to comparing to other facilities.

Looking back at one year of data, the following table shows the number of unique users, excluding the CTA, who have booked more than one tennis court reservation per week, per location. Due to current reservation practices, the data only shows the player who has booked the court reservation.

Tennis Court Location	No. of Court Reservations Exceeding 1 per Week	Highest No. of Total Court Reservations
Coronado Tennis Center	0	47
Cays Park	0	40
High School Courts	1	89
Library Courts	3	82

99% of tennis court reservation users averaged fewer than one court reservation per week.

For pickleball court reservations, there were only 14 users who booked over one court reservation per week. These “super users” had an average of 79 court reservations for the year.

To compare existing rates with proposed rates and comparable facilities, staff distilled all fees down to a per-hour, per-person equivalent. The following table shows the existing rates per-hour, per-person:

Existing Rates - Coronado	All Courts (Per-hour, Per-person)	
Classification D (CTA actual)	\$0.38 (doubles) / \$0.75 (singles)	
Classification D (CTA listed)	\$2.50 (doubles) / \$5.00 (singles)	
Classification E (Resident)	\$0.63 (doubles) / \$1.25 (singles)	
Classification F (Non-Resident)	\$1.88 (doubles) / \$3.75 (singles)	
Proposed Rates – Coronado	Cays, Library, High School, Pickleball	Coronado Tennis Center
Resident – Year 1	\$0.75 (doubles) / \$1.50 (singles)	\$1.50
Resident – Year 2	\$1.00 (doubles) / \$2.00 (singles)	\$2.00
Resident – Year 3	\$1.25 (doubles) / \$2.50 (singles)	\$2.50
Non-Resident - All Years	\$2.50 (doubles) / \$5.00 (singles)	\$10.00

The following table shows court reservation rates at comparable tennis facilities, incorporating any applicable membership fees. The Del Cerro Tennis Club courts and Coronado Marriott Tennis courts are reserved per-court, so the individual fees are relative to the number of players.

Comparable Rates - Tennis	Per-hour, Per-person, 1 Reservation/Week
Pacific Beach Tennis Club	\$3.78
La Jolla Tennis Club	\$3.94
Balboa Tennis Club	\$5.77
Lake Murray Tennis Club	\$4.29
Barnes Tennis Club	\$6.73
Peninsula Tennis Club	\$2.37
Del Cerro Tennis Club	\$5.83 (doubles) / \$11.67 (singles)
Coronado Marriott Tennis	\$3.00 (doubles) / \$6.00 (singles)

The comparable pickleball facilities shown in the following table do not have memberships and are reserved per-court, so the individual fees are relative to the number of players.

Comparable Rates - Pickleball	Per-hour, Per-person
Pacific Beach Pickleball	\$3.50 (doubles) / \$7.00 (singles)
Barnes Pickleball	\$3.75 (doubles) / \$7.50 (singles)
Del Cerro Pickleball	\$4.00 (doubles) / \$8.00 (singles)
Coronado Marriott Pickleball	\$3.25 (doubles) / \$6.50 (singles)

More detailed analysis of usership and comparisons is shown in Attachment 4 – Tennis and Pickleball Fact Sheet.

The proposed court fee increases are less than, or in limited cases comparable to, surrounding tennis and pickleball facilities. In light of the cost competitiveness and the very high quality of courts and amenities, staff and NPP do not anticipate a decline in demand or court use.

Contract Agreement/Financial Considerations

Currently, Impact Activities pays the Department \$50,000 annually and retains all revenue from court reservations and programs. The Department covers maintenance, utilities, infrastructure repairs, and administrative contract support for all courts. The current fixed-revenue contract structure dictates that any additional increases in fees would not result in a change in the City's cost recovery percentage.

The City is negotiating with Impact Activities to amend the contract, proposing a revenue-sharing agreement for court reservations in addition to a fixed annual payment with an annual escalation. The following table shows the proposed revenue split between the City and Impact Activities if the proposed fees are implemented, and assuming the utilization remains consistent.

	Gross Court Reservation Revenues	City of Coronado Net Revenue	Impact Activities Court Reservation Net Revenue
Current	\$ 73,218	\$ 50,000	\$ 23,218
Proposed Rates - Year 1	\$ 153,100	\$ 56,000	\$ 97,100
Proposed Rates - Year 2	\$ 172,681	\$ 75,268	\$ 97,413
Proposed Rates - Year 3	\$ 192,263	\$ 98,453	\$ 93,810

In Year 1, Impact would pay the City base rent of \$56,000 plus 0% of gross court reservation revenue; in Year 2, Impact would pay the City base rent of \$58,000 plus 10% of gross court reservation revenue; and in Year 3, Impact would pay the City base rent of \$60,000 plus 20% of gross court reservation revenue.

Additionally, at the community workshops, a question was posed regarding the Department's desire to provide tennis programming without Impact Activities. The Department highly values the professional tennis programming and facility oversight currently provided by Impact Activities and desires to continue retaining their services. If Impact Activities chose to terminate the agreement, the Department would be responsible for providing the same services, for which it currently lacks the capacity and expertise to do, especially to the level of quality that is currently being provided by Impact Activities.

The revised Tennis and Pickleball Court Reservation fees are included in the revised Recreation Fee Schedule. The recommended fee increases will coincide with an updated agreement with Impact Activities.

Recommendation #6 – Approve the revised Recreation Fee Schedule.

The Recreation Fee Schedule, which includes City Council-approved fees for facility use, rentals, and memberships, including tennis and pickleball court reservation fees, is outmoded and requires an update. As facility rental is generally exclusive to the renter and precludes other uses, the renter should cover the majority, if not all, of the associated costs without public subsidy. However, increasing fees too high can reduce utilization. After analyzing usage and financial data, staff prepared the recommendations shown in the proposed Recreation Fee Schedule.

Some key recommendations include:

- Maintain many resident reservation rates relatively flat.
- Increase Non-resident and Commercial rates, with consistent price differentials across facilities.
- Require facility users to reserve set-up and tear-down facility time at regular rates, instead of a reduced-fee add-on.
- Include specific park and beach permit locations.
- Introduce an Outdoor Instruction Permit option.
- Increase Tennis and Pickleball Court reservation fees.
- Implement a modest increase to membership fees.
- Slightly decrease Boathouse vessel rentals fees for residents to increase utilization but introduce Non-resident fees.

The estimated impact with the implementation of the proposed fee schedule changes amounts to an increase of about 58% in facility use revenue, and an increase of about 26% in membership and drop-in revenue, equaling about \$264,000 in increased revenue.

The following table shows estimated impacts to the Department's cost recovery with the inclusion of updated fees as proposed. This does not include changes to expenditures.

PROGRAM CATEGORY	Recreation Community Center And Club Room	Aquatics	Recreation Spreckels Center	Recreation Parks & Beaches	Recreation Tennis	Overall
Revenues	1,120,298	408,143	119,267	100,120	98,453	1,846,281
Total Program Costs	1,805,025	1,535,460	484,953	415,035	255,307	4,495,780
Capital Expenses		258,850			66,460	325,310
Department Administration	288,306	398,007	127,060	98,734	4,081	916,188
Citywide Overhead	660,589	911,947	291,131	226,227	9,350	2,183,388
Total Expenditures	2,753,920	3,104,264	903,144	739,997	335,197	7,836,522
Revenues Over (Under)						
Expenditures	(\$1,633,622)	(\$2,696,121)	(\$783,877)	(\$639,877)	(\$236,744)	(\$5,990,241)
Total Cost Recovery (with overhead + capital)	41%	13%	13%	14%	29%	24%
Direct/Indirect Cost Recovery	62%	27%	25%	24%	39%	41%

Recommendation #7: Approve annually adjusting the Recreation Fee Schedule based on Consumer Price Index (CPI) and evaluate all fees every five (5) years.

The Consumer Price Index (CPI) measures the average change in prices paid for consumer goods and services over time. Many organizations use the CPI to adjust contracts and fees to stay current with the contemporary pricing. With continued inflation and the City's need to keep pace with operational cost increases, this annual CPI change avoids larger, more abrupt increases in the future.

Tennis and Pickleball Court Reservations fees will be exempt from CPI adjustments in the first three (3) years of the updated Recreation Fee Schedule. Starting in Year 4, these fees will be subject to annual CPI adjustments, rounded to the nearest dollar, for per-court charges, or rounded to the nearest \$0.50, for per-person charges.

It is also recommended that every five years, the City update the cost-of-service model with contemporary costs and reset the fee baseline. This will capture cost shifts not incorporated in the annual CPI and allow for a review of the cost recovery targets.

Recommendation #8: Approve a pilot program to operate the Coronado Skate Park with intermittent supervision from January – June 2025.

The Coronado Skate Park, located in Tidelands Park, opened in 2001. It operates about 28 hours per week, with an average of fewer than four participants per day. The park accommodates all non-motorized wheeled devices, including skateboards, scooters, BMX bicycles, and wheelchairs.

Currently, the Skate Park is staffed with employees who open the facility, collect registration fees and liability waivers, ensure participants wear protective gear, and rent equipment as needed. The Skate Park's current cost recovery is 15%, inclusive of direct and indirect costs.

The pilot program would provide intermittent supervision of the Skate Park without onsite access control and eliminate fees for use. Users can drop into the facility during open hours without paying a fee. This operational change, which is in line with the management of the vast majority of public skateparks, is recommended to reduce the barriers to use and increase participation. If approved, this six-month pilot would be continuously evaluated, with results and recommendations presented to the City Council in June 2025.

Parks and Recreation Commission

At the Parks and Recreation Commission meeting on August 12, 2024, the Commission provided input and was fully supportive of the presented Recommendations which correspond to Recommendations 1, 2, 3, 4, 7, and 8 in this staff report and conditionally supportive of Recommendation 6. The Commission stated they would like to see a rate for visitors who do not live in San Diego County added to the fee schedule and were not in favor of the Tennis and Pickleball court reservation fee increases without an executed amendment to the agreement with Impact Activities that would provide additional revenue to the City.

FISCAL IMPACT:

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

ALTERNATIVE:

City Council may take no action or provide additional direction to staff.

CALIFORNIA ENVIRONMENTAL QUALITY ACT:

This activity is statutorily exempt from environmental review pursuant to CEQA section 15273, Rates, Tolls, Fares, and Charges.

PUBLIC NOTICE:

Legal notice of the Public Hearing was published in the Coronado Eagle & Journal on September 4, and September 11, 2024.

ATTACHMENTS:

1. Resolution No. 2024-57
2. Tennis and Pickleball Fact Sheet
3. Recreation Fee Study Staff Report: September 3, 2024
4. Current Facility Use Fees and Policies
5. Declaration of Publishing and Legal Notice

Submitted By: Recreation and Golf Services Department / Tim Farmer