

RESOLUTION NO. 21-51

A RESOLUTION ADOPTING THE OREGON CITY PARKS AND RECREATION'S FINANCIAL SUPPORT & SUSTAINABILITY STRATEGY POLICY

WHEREAS, the Oregon City Parks and Recreation Department values organizational resilience by way of logical, intentional, and thoughtful guidelines for investment and spending decisions; and

WHEREAS, the Parks and Recreation Advisory Committee supports the Oregon City Parks and Recreation's policy to establish metrics to assess individual activities and subsidy goals, and it encourages the achievement of future programs and services to meet subsidy benchmarks and cost recovery targets; and

WHEREAS, the City Commission is adopting a financial support and sustainability model, which will allow the Oregon City Parks and Recreation Department to justify recovery of costs and to ensure the Department's financial stability in the near- and long-term future; and

WHEREAS, the Oregon City Parks and Recreation Department will use the Beneficiary of Services philosophy or "like" services to reasonably and equitably allocate subsidy and cost recovery levels for programs and services; and

WHEREAS, the categorizing by "type of service" or "likeness of service" discourages attempts to set fees and charges based upon special interests, age-based services, or individual values; and

WHEREAS, the proposed policy conceptualizes each type of service as a set of specific characteristics that provide a rationale for who should pay (e.g., taxpayers, the individual, or both) and to what degree; and

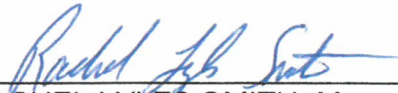
WHEREAS, the policy promotes practices that are fair, equitable, and responsible.

NOW, THEREFORE, OREGON CITY RESOLVES AS FOLLOWS:

Section 1. That the Commission, by this resolution, adopts the Financial Support & Sustainability Strategy Policy attached to this resolution as Exhibit A.

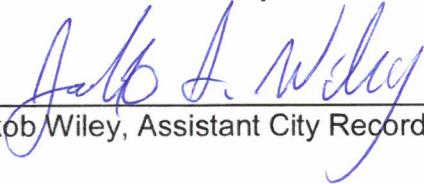
Section 2. The effective date for the Financial Support & Sustainability Strategy Policy shall be the date this resolution is adopted and signed.

Approved and adopted at a regular meeting of the City Commission held on the 20th day of October 2021.




RACHEL LYLES SMITH, Mayor

Attested to this 20th day of October 2021:



Jakob Wiley, Assistant City Recorder

Approved as to legal sufficiency:



City Attorney

Exhibit A – City of Oregon City Parks & Recreation Financial Support & Sustainability Strategy Policy

EXHIBIT A**City of Oregon City Parks & Recreation
Financial Support & Sustainability Strategy Policy****Background**

Oregon City Parks and Recreation has limited procedures for establishing fees and charges for programs and services offered by the Parks & Recreation Department. The current fees and charges structure have been created through informal and arbitrary methods that do not provide a clear approach to cost recovery, priority of service delivery or ensuring access to public spaces or programs. The need for setting a sustainable financial model for operating, maintaining and reinvesting in the future of the parks and recreation department's system is important. Maintaining and ensuring equitable and continued access to current parks, recreation facilities and public programs is important as well.

Objective(s)

With multiple benefits accruing to both personal and public interests, it is appropriate for public parks and recreation services to be supported by a blend of participant fees and taxpayer funding. The City's biennium budget determines the amount of taxpayer support (subsidy) that is available for parks and recreation services. Charging fees is a way to ensure the availability of parks and recreation services and programs that supplement limited taxpayer dollars.

As of 2021, the City Oregon City Parks and Recreation Department is shifting towards a fiscal management philosophy that is focused on a "beneficiary of service". In this conceptualization, each type of service has a set of specific characteristics that provide a rationale for who should pay (e.g., taxpayers, the individual, or both) and to what degree. This approach aligns the allocation of tax dollars and cost recovery expectations with beneficiary of service.

Policy Statement

The City of Oregon City Parks and Recreation Department's Financial Support and Sustainability Strategy Policy intends to create organizational resilience by way of logical, intentional, and thoughtful guidelines for investment and spending decisions. The policy sets up a mechanism for revenue generation strategies, and revenue to expenditure comparisons. The policy establishes metrics to assess individual activities and subsidy goals, and it encourages the achievement of future programs and services to meet subsidy benchmarks and cost recovery targets. The policy promotes practices that are fair, equitable, and responsible. This direction is required in order to sustain the Department and its expectation as a provider of parks and recreational services. The justifiable recovery of costs as detailed in this policy is necessary to ensure the Department's financial stability in the near and long term.

Cost Recovery

The degree to which the cost (direct and indirect) of facilities, services and program is supported or paid for by user fees and/or other designated funding mechanism such as grants, partnerships, etc. versus the use of tax subsidies.

For example, a cost recovery level of 75% simply means that for each dollar spent on a service, \$.75 was generated from a revenue source with the remaining \$.25 was covered by subsidy dollars (i.e., taxes).

City of Oregon City Parks and Recreation’s Service Categories

The development of categories which include *like* services are important when it comes to the justifiable and equitable allocation of subsidy and cost recovery levels. Service categories, and the associated subsidy and cost recovery goals, help the department assign budget projections and meet established fiscal performance (i.e., *like* services for the service category “Skill-based Beginning/Intermediate Activities” include swim lesson levels 1-5, school swimming lessons, entry level senior/aging adult contracted classes.)

The benefit of this type of approach are many. This approach improves efficiency and it fundamentally starts to breakdown systemic inequity issues and promotes a culture where the focus is Department-wide financial sustainability. Evaluating each of the Department’s services, programs and activities is inefficient, unequitable, and does not promote Department-wide sustainability practices. Categorizing by “type of service” or “likeness of service” discourages attempts to set fees and charges based upon special interests, age-based services, or individual values.

The City of Oregon City Parks and Recreation Department provides hundreds of services annually to the community. The following Service Categories represent the Department’s service menu and include Service Category definitions as well as example services.

Service Categories

Community Events includes annual events that are appealing to a majority of, or the entire community regardless of age, ability/skill, family composition, etc. These events are large-scale and highly intensive, and typically occur on an annual basis.

[Examples include: summer concerts, movies in the park, arbor day/enhancement day, Memorial Day Celebration, Day of Remembrance, Heritage Day, 175th Celebration]

Drop-in access includes activities which do not require registration, are non-instructed yet self-directed, and include staff/volunteer supervision or oversight.

[Examples include: public swim, indoor playground, Pioneer Center billiards, board games]

Enrichment & Wellness includes classes, clinics, workshops, and other led/or supervised activities in which pre-registration is required and the primary intent is to provide socialization, interaction, and life skills development with a focus on education and lifelong learning.

[Examples include: day camps, pre-school enrichment, youth, and adult field trips]

Food & Beverage includes the availability of consumable goods for purchase at various department facilities.

[Examples include: vending, event vendors, Pioneer Center coffee station]

Human Services focus on prevention as well as remediation of life challenges and maintaining quality of life, independence, and connection to the community by linking and/or providing resources for those in need.

[Examples include: home visits, transportation services, meal services, case management, information and referrals, Veterans counseling, footcare]

Inclusion provides access for individuals who require reasonable accommodations to participate in city services. Inclusion complies with the federal Americans with Disabilities Act (ADA) mandate.

[Examples include: inclusion assistance for participation in any City activity]

Merchandise for Re-sale includes non-consumable goods for purchase at various department facilities.

[Examples include: swim goggles, maps, and brochures at Ermatinger House]

Open Access includes open access to parks and park amenities and does not include staff/volunteer supervision or oversight.

[Examples include: outdoor basketball, outdoor tennis, playgrounds, spray parks, public art, trails, pickle ball courts (non-tournament)]

Rentals includes park, shelter, and facility rentals providing exclusive use of public spaces and places in the system.

[Examples include: aquatic facility rentals, Pioneer Center rentals, park shelter rental, historic house rentals, RV rentals, City owned house rentals, Sportcraft park rentals, End of the Oregon Trail Interpretive Center rentals, athletic field rentals]

Skill-based Advanced/Competitive Activities includes classes, clinics, workshops and other led and/or supervised activities in which pre-registration is required and the primary intent is to enhance, further, or master a skill.

[Examples include: personal training, private swim lessons, adult sport leagues, contracted advanced yoga]

Skill-based Beginning/Intermediate Activities includes classes, clinics, workshops and other led and/or supervised activities in which pre-registration is required and the primary intent is to acquire or learn a skill.

[Examples include: swim lesson levels 1-5, school swimming lessons, entry level senior/aging adult contracted classes]

Special Events includes events that are intended to serve a target market and/or special interests and may require pre-registration.

[Examples include: pool easter egg hunt, swamp swim, Daddy Daughter Dinner Dance, , Pioneer Center Health and Wellness Fair, Garage Sale]

Specialized Services This service category includes services that are commercial in nature and whose operations align most with those offered by the private sector.

[Example: cemetery operations]

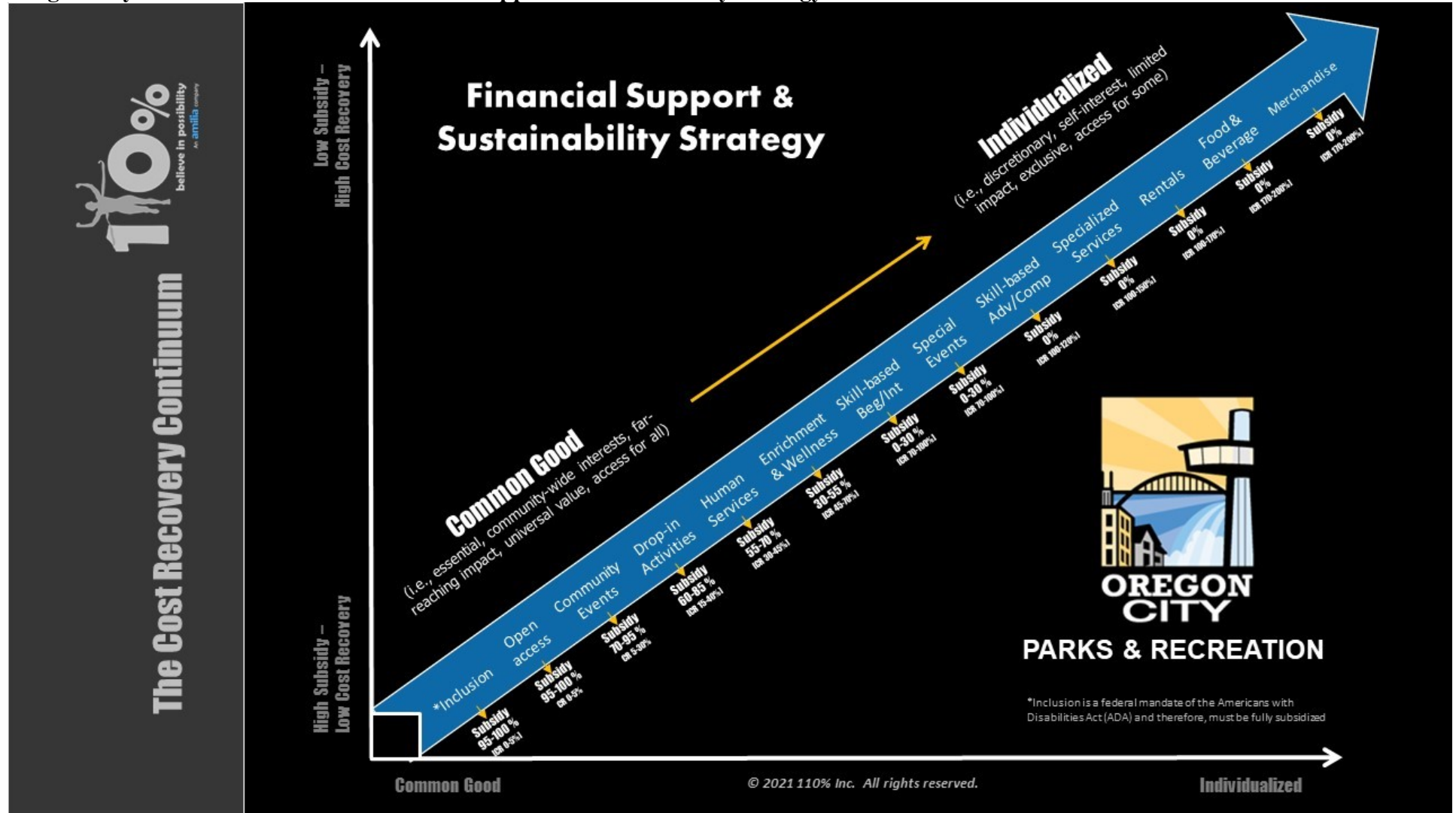


OREGON CITY

Parks and Recreation

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Oregon City Parks and Recreation Financial Support & Sustainability Strategy



The Strategy illustrates the degrees to which financial resources will be spent and expenses will be recovered. It is grounded in the differentiation of parks and recreation services on the basis of who benefits and who should pay. Economists have differentiated goods and services in the economy in this manner for decades and have designated three types of goods and services: community benefit, dual benefit, and individual benefit.

The City of Oregon City Parks and Recreation Department's Financial Support and Sustainability Strategy is grounded in a philosophy that acknowledges varying levels of service. This strategy shifts from philosophical underpinnings suggesting that all services should be provided at no or low cost for everyone to an equitable and just philosophy where subsidy allocation decisions are based upon "beneficiary of service". In this conceptualization, each type of service has a set of specific characteristics that provide a rationale for who should pay (e.g., taxpayers, the individual, or both) and to what degree. This aligns subsidy allocation and cost recovery goals and expectations with beneficiary of service. Those who benefit from a service should pay for that service.

A Financial Support and Sustainability Strategy Policy includes the Service Categories and realistic subsidy (tax dollar) allocation goals and expectations. The Model is a graphic representation of the Department's investment and revenue enhancement strategy.

The City Council, Parks and Recreation Advisory Committee, and community stakeholders provided input on criteria to define Community Benefit and Individual Benefit as they apply to the City of Oregon City. These criteria guide the placement of Service Categories on the Model and ultimately, tax dollar investment and cost recovery expectations (goals).

Community Benefit (justification for greater subsidy investment)

- Community building
- Provides accessibility to marginalized/under-represented populations
- Broad appeal to a wide audience

Individual Benefit (justification for greater cost recovery expectation)

- Exclusive; special interest
- Requires higher competency/ability level to participate
- Private sector competition exists
- Specialized activities

Updating Subsidy Investment Expectations

Service category cost recovery performance levels should be updated annually, and subsidy (tax dollar) investment goals should be reviewed, analyzed and updated at least every three years or more frequently as necessary.

Pricing – Setting Fees & Charges

Several pricing methods exist that will help Department staff in establishing fees and charges. The principal method for establishing services fees will be cost recovery pricing and expense management. Cost recovery

pricing is defined as determining a fee based on tax investment/cost recovery goals (targets included as part of Financial Support and Sustainability Strategy).

Other pricing methods may be utilized by the Department, however, any strategy or method used will ultimately require that cost recovery goals or subsidy allocation expectations are met. Common alternative pricing methods include:

- *Market (demand-based) pricing* results in pricing based on demand for a service or what the target market is willing to pay for a service. The private and commercial sectors commonly utilize this strategy. One consideration for establishing a market rate fee is determined by identifying all providers of an identical service (i.e., private sector providers, other municipalities, etc.), and setting the highest fee. Another consideration is setting the fee at the highest level the market will bear.
- *Competitive pricing* established prices fee based on what similar service providers or close proximity competitors are charging for services. One consideration for establishing a competitive fee is determined by identifying all providers of an identical or similar service (i.e., private sector providers, other municipalities, etc.), and setting the mid-point or lowest fee.
- *Value-based pricing* is a pricing strategy in which the price of a product or a service is decided on the basis of perceived value or benefit it can provide to a customer. Value-based pricing is more evident in places or markets where exclusive products are offered which offer more value than the generic or standard products.
- *Penetration pricing* has the aim of attracting customers by offering lower prices on services. While many may use this technique to draw attention away from the competition, penetration pricing often results in lost revenue and higher subsidy requirements. Over time, however, an increased awareness of the service may drive revenues and help organizations differentiate themselves from others. After sufficiently penetrating a market, organizations should consider raising prices to better reflect the state of their position within the market.
- *Premium pricing* establishes prices higher than that of the competition. Premium pricing is often most effective in the early days of a service's life cycle, and ideal for organizations that offer unique services. Because customers need to perceive products and services as being worth a higher price tag, an organization must work hard to create a value perception.
- *Bundle pricing* allows for the sale of multiple services for a lower rate than customers would pay if they purchased each service individually. Bundling can be an effective way of selling services that are poor performers and can also increase the value perception in the eyes of customers - essentially giving them something for a reduced rate.
- *Differential pricing* follows the "law of demand" by supporting a key pricing principle: some customers are willing to pay more than others. Differential pricing is the strategy of selling the *same* service to *different* customers at *different* prices. Differential pricing enables organizations to "profit" from their customers' unique valuations (ex. Prime time or surge pricing).

In the event a Service Category's tax dollar investment/cost recovery goal is higher than current cost recovery performance and fee increases are required, prices may need to be raised incrementally over time in accord with market acceptance to optimize revenue generation. However, if the market does not respond favorably to the

increase, the service may require divestment if the subsidy investment required cannot be justified based upon beneficiary of service.

In the event a tax dollar investment/cost recovery goal is less than the current level of recovery, the established fee will remain the same to ensure that there is no loss of revenue or negative impact on the Department's financial condition.

Financial Assistance – Reduced Rates

As part of its service delivery mission, the Department will continue to ensure that services are accessible to those who are socio-economically disadvantaged. This will require that funds are appropriated and available, and that they are fairly and equitably distributed throughout communities and groups in need.

Scholarship applications will be made available and will allow for the neediest individuals and families in Oregon City to have access to scholarship funds that can both satisfy need for assistance as well as provide equitable subsidies across the system (e.g., center to center, program to program).

The Department shall track scholarship funds awarded and provide an annual report. This process of tracking and reporting will aid in future planning of projected financial aid needs, award thresholds, and anticipated total population needing to be served based upon previous year's requests and results. Furthermore, tracking methods will be documented through needs quantification such as government assistance programs, but not limited to, Temporary Assistance for Needy Families (TANF) or Oregon City School District Federal Free/Reduced Lunch programs, individual's/family's location of residence, unemployment benefits, etc.).

Service Performance Measures

Methods that will be employed by the Department to evaluate the value and intended community impact of investment and spending choices are listed below. Metrics will be used to evaluate which services have significant relevance to the Department's fiscal condition due to efficiencies, customer retention and satisfaction. Service performance analysis should include, but are not limited, to, the following metrics.

Success Metric 1: Financial viability: a service must meet its minimum tax dollar investment/cost recovery goal and as noted on the Financial Support and Sustainability Strategy

Success Metric 2: Market position: the capacity (maximum) of a service must be @ 75% or more.

Success Metric 3: Increase in new users (or specific target populations): an increase in the number of participants from a special target market or market niche.

Success Metric 4: Participant retention: retaining current participant numbers.

Success Metric 5: Participant (customer) satisfaction: overall participant (customer) satisfaction must meet a minimum of 85% satisfaction or higher.

Resident & Non-Resident Rates | Setting Fees

Residents of Oregon City pay property tax that are used to subsidize Department services. Therefore, it is important to establish a way to subsidize programs at a higher level for our residents participants.

Divisions should set non-resident and resident rates when charging for services, activities, and programs. The Department should uniformly set resident and non-resident rates should follow the below procedures. A resident is defined as an address or location that is within the Oregon City, City limits.

Establishing residency can be conducted utilizing the City’s GIS mapping resource.
(https://maps.orcity.org/Html5Viewer_4_12_2/index.html?viewer=OCWebMaps.OCWebMaps)

- *Programs and activities:* when creating a new program or activity there should be a resident and non-resident fees. A non-resident rate should be 50% greater than the resident fee with a max cap of \$20.
- *Rentals:* A non-resident rental rate should be 50% greater than the resident fee with a max cap of \$20.
- *Setting fees and determining subsidies:* Refer to the cost recovery policy.

Addressing Gaps between Existing Cost Recovery Rates and Target Rates for Existing Programs

1. Analyze success metrics for activities and programs not meeting cost recovery goal.
2. Analyze direct and indirect cost for providing activity or program.
 - a. Measure ratio of direct and indirect cost.
 - b. Identify cost reduction opportunities.
 - c. Implement cost reduction opportunities.
3. Suggest market increase commensurate with cost recovery goals.
 - a. Conduct market analysis of activity or program
 - b. Identify opportunities for capturing larger market.
4. Identify potential sponsorship, volunteers, donations, or pay-it-forward opportunities for supporting activity or program.
5. Consider divestment of program at end of 2 -year strategy term or sooner.

END POLICY