

RESOLUTION NO.

**A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN JOSE ESTABLISHING A COUNCIL POLICY ENTITLED, "PRICING AND REVENUE POLICY", ADOPTING THE EXISTING FEES AND CHARGES AS OF JULY 1, 2009, AND AUTHORIZING THE CITY MANAGER OR THE CITY MANAGER'S DESIGNEE TO INITIALLY ADOPT CURRENT EXISTING FEES AND CHARGES FOR THE DEPARTMENT OF PARKS, RECREATION, AND NEIGHBORHOOD SERVICES AND TO GRADUALLY ENACT FEES AND CHARGES MORE CONSISTENT WITH THE COUNCIL POLICY AND WITHIN THE APPROVED COST RECOVERY GOALS**

**WHEREAS**, the goal of the City Council of the City of San José ("City Council") is to eliminate the structural budget deficit while providing full funding for parks, pools, and community centers; and

**WHEREAS**, the City of San José through its Department of Parks, Recreation, and Neighborhood Services ("PRNS") has begun the development of a financially sustainable pricing and revenue model to preserve existing recreation programs and services; and

**WHEREAS**, on April 21, 2009, the City Council considered the recommendation of PRNS, discussed the proposed Pricing and Revenue Policy, directed City Staff to refer the Program Cost Recovery Goals and Pricing and Revenue Policy for final approval in the operating budget process, and directed City Staff to return to the City Council annually for approval of the Cost Recovery Goals as part of the fees and charges portion of the annual operating budget process; and

**WHEREAS**, the Pricing and Revenue Policy is a mechanism for allocating the use of public funds, creating a financially sustainable approach for recreational services and facilities, maximizing the use of programs and facilities, and ensuring affordable access to programs and services; and

**WHEREAS**, as part of the Pricing and Revenue Policy, the City Manager or the City Manager's designee shall be authorized to set all PRNS user fees with a goal of increasing the ability of the Department to respond to market trends and community needs, and to assist in generating optimal cost recovery levels per program while continuing to have scholarship programs available for certain segments of the population; and

**WHEREAS**, as of July 1, 2009, the City Manager or the City Manager's designee is authorized to set and adopt fees and charges for PRNS facilities and may gradually transition from the current fees and charges set forth in Resolution 74453 toward fees and charges consistent with the City Council approved Cost Recovery Goals;

**NOW, THEREFORE**, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SAN JOSE THAT:

1. The Council Policy entitled "PRNS Pricing and Revenue Policy," which is attached hereto as EXHIBIT A and incorporated by reference as if fully set forth herein, is hereby approved.
2. The PRNS 2009-2010 Cost Recovery Goals, which are attached hereto as EXHIBIT B and incorporated by reference as if fully set forth herein, are approved.

3. As of July 1, 2009, The City Manager or the City Manager's designee is hereby authorized to establish the fees and charges for the Department of Parks, Recreation, and Neighborhood Services which are consistent with the Pricing and Revenue Policy and within the approved Cost Recovery Goals.
  
4. To allow for a smooth and gradual transition to fees and charges more consistent with the Pricing and Revenue Policy and with the approved Cost Recovery Goals, the City Manager or the City Manager's designee is authorized to initially set fees and charges for the Parks, Recreation, and Neighborhood Services facilities which are the same as those set forth in Resolution No. 74453 and to gradually replace those fees and charges with fees and charges that are more consistent with the approved Cost Recovery Goals.

ADOPTED this \_\_\_\_\_ day of \_\_\_\_\_, 2009, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

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CHUCK REED  
Mayor

ATTEST:

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LEE PRICE, MMC  
City Clerk

# EXHIBIT A

**City of San José, California**  
**COUNCIL POLICY**

<b>TITLE: PRNS Pricing and Revenue Policy</b>	<b>PAGE</b>	<i>POLICY NUMBER</i>
	<b>EFFECTIVE DATE</b>	<i>REVISED DATE</i>
<b>APPROVED BY COUNCIL ACTION ON</b>		

## **BACKGROUND**

The vision of the Parks, Recreation and Neighborhood Services Department (PRNS) is to be a national leader in cultivating healthy communities through quality programs and dynamic public spaces. We envision a reality where all San Jose residents view parks and community centers as valued and cherished places and experiences. PRNS must develop a financially sustainable approach to delivering services if it is to realize its vision as well as fulfill its mission to build healthy communities through people, parks and programs.

PRNS offers a wide range of facilities, programs and services including parks, aquatic programs, recreation classes, senior services, sports leagues, youth intervention programs, graffiti abatement and volunteer services. PRNS collects a variety of fees for programs and services but is primarily supported by the City of San Jose's General Fund.

Many PRNS program fees are set by the Director of PRNS. Examples include adult, senior and youth recreation classes, equipment rental, camps and golf. Fees for other programs such as summer aquatics, Happy Hollow Park and Zoo admission, fitness centers and facility rentals are set by City Council. Authorizing the City Manager or its designee to set all user fees and pricing strategies will allow PRNS to quickly respond to market trends and community needs by implementing differential pricing methods as appropriate.

Traditionally, the City has heavily subsidized prices and kept fees low to accommodate the percentage of customers that could not afford higher rates. For example, the fee for youth groups to reserve one sport field is \$2 per hour per team. Under this scenario a typical two hour game, with two teams, would net the city a total of eight dollars. The unintended consequence of these below-market user fees is that PRNS is not able to consistently balance the demand for quality programs with available resources. The \$2 per hour per team fee does not cover the City's costs for maintaining the fields.

## **PURPOSE**

The Pricing and Revenue Policy is a mechanism for allocating the use of public funds, creating a financially sustainable approach for recreational services and facilities, maximizing the use of programs and facilities and ensuring affordable access to programs and services.

## **POLICY**

City Council hereby authorizes the City Manager or its designee to set all PRNS user fees and pricing strategies in accordance with annual City Council-approved cost recovery percentage goals and the guiding principles described in this policy.

This policy and the cost recovery goals shall represent the PRNS section of the City of Jose's Fees and Charges document. PRNS cost recovery goals shall be submitted by the Director and approved by City Council through the annual operating budget process. PRNS shall publish an annual report that presents the Department's accomplishments, results and performance on cost recovery goals.

## **PRNS PRICING AND REVENUE GUIDING PRINCIPLES**

### *1. Identify the Level of Benefit a Customer Receives*

To maximize the distribution of available parks and recreation resources to the greatest number of residents, PRNS shall prioritize the subsidization and funding of programs. To determine the percentage of subsidy allocated, Public, Merit and Private categories will be used to identify the level of community/public or individual/private benefit a user receives.

#### Public Services

Public services provide all users the same level of benefit and can be accessed by the broadest cross section of the population; they receive the highest level of subsidization. Examples of public services include clean and accessible public parks and trails.

#### Merit Services

Merit services provide benefit to both the community and individual. These programs should follow a cost sharing model between subsidy and a fee to the customer. Some portion of the cost of service should be supported by the user thus lowering the general fund contribution. Examples of merit services include swim lessons and after-school programs for youth.

#### Private Services

Private services provide benefit to the individual, are typically specialized and provide minimal to no benefit to the community. These services should receive a minimal subsidization (if any) and the fee to participate is the responsibility of the user/customer. Examples of private services include facility rentals, language classes and golf.

### *2. Calculate Cost of Service*

PRNS shall collect cost of service data to determine the actual cost per unit of specific services, including direct and indirect costs. Direct costs are exclusively attributed to a program or service and can include salaries for staff directly providing the service, supplies and materials. Indirect costs are

attributed to more than one program and can include supervisor salaries, maintenance, utilities, leases, equipment replacement, and technology.

### 3. Determine Cost Recovery Goals

PRNS shall set targets for the recovery of program costs through the collection of user fees. Targets will be expressed as the percentage of the overall program budget PRNS intends to recover. Cost recovery goals will align with public, merit and private service categories and reflect the level of community/public and individual/private benefit received. Cost recovery goals shall be reviewed annually with consideration of the City's overall operating budget.

### 4. Ensure Affordable Access

To ensure San Jose residents affordable access to participation in recreational activities PRNS shall implement a formalized scholarship program. Eligible scholarship applicants will demonstrate proof of qualified income verified by participation in one of the pre-existing local, state or federal assistance programs determined by the City Manager or its designee.

PRNS shall continue to generate scholarship funding with partners, advisory groups, community based organizations and individual donors. Additionally, PRNS shall develop a scholarship fund with a percentage of revenue collected, ensuring scholarships remain funded.

### 5. Create Revenue Strategies

PRNS shall use a variety of methods to generate revenue to offset the general fund subsidy for recreation programs and services. These methods shall include created income, partnerships and differential pricing methods

#### Created Income

To support the operating costs of the Department and to meet cost recovery goals that cannot be achieved solely by pricing of services, PRNS will implement created income strategies that include but are not limited to sponsorships, grants and foundations.

#### Partnerships

Partnerships with private and public entities are vital to enhance service levels and to keep program fees affordable to residents. PRNS will continue to cultivate existing relationships and employ new partnerships with volunteers, school districts and community based organizations to minimize program fees as appropriate.

#### Differential Pricing Methods

PRNS shall implement an assortment of pricing methods to increase customer options. Differential pricing methods will maximize facility usage and encourage users to move to options that best accommodate their schedules and price points. Differential pricing methods may include pricing by weekend/weekday rates, trade for services, price based upon length of stay, price by amenity and incentive pricing such as early bird registration. The pricing of programs, services and facilities shall be reviewed on an ongoing basis by the City Manager or its designee and adjusted to accommodate changes in operations, maintenance costs and the marketplace to ensure progress towards the City Council approved cost recovery percentages goals.

6. Engage Community

To ensure ongoing community engagement PRNS shall implement a variety of strategies to inform, educate and receive input from user groups. Community engagement strategies may include electronic updates, mailings, focus groups and community meetings.

## PRNS 2009-2010 Cost Recovery Goals

**Public Services:** Provide all users the same level of benefit and can be accessed by the widest cross section of the population.

**Merit Services:** Provide both a community and individual benefit.

**Private Services:** Provide an individual benefit with minimal to no community benefit.

Program	Level of Benefit	2009-2010 Cost Recovery Goal
After School Recreation Programs	Merit - Private	75%
Anti- Graffiti (Public Property)	Public	20%
Aquatics	Merit	38%
Camps	Private	100%
Family Camp	Merit-Private	90%
Fee Classes/Activities	Merit - Private	100%
Surcharges /Admin Fees	Merit - Private	100%
Fitness and Drop in Programs	Merit - Private	50%
Happy Hollow Park and Zoo	Merit - Private	100%
Lake Cunningham Skate Park	Private	70%
Parking	Private	125%
Park Permits	Merit - Private	100%
Rentals and Reservations	Private	100%
Special Events (PRNS Sponsored)	Merit	15%
Sports		
Adult Sports	Private	100%
Youth Recreational Sport Leagues	Merit	50%

Fees for the following services are not included in the Fees and Charges report but are included in the PRNS goals for 2009-2010.

Program	Level of Benefit	2009-2010 Cost Recovery Goal
Concessions	Private	110%
Golf Programs	Private	100%
Senior Nutrition	Merit	40%
Therapeutic Services	Merit	25%
Youth Intervention Services	Merit	25%

EXHIBIT B