



STAFF REPORT

Study Session for Recreation Fee Subsidy Policy

April 13, 2004

Honorable Mayor and Council Members:

Background and Discussion

Staff has recently completed a detailed study of user fees, service costs and revenues for the City's recreation programs. The objectives of the study were to: 1) Calculate the full cost (both direct and indirect) of providing recreation programs to Belmont residents, 2) Compare costs and revenues with neighboring cities, and 3) Develop a policy recommendation to guide staff in setting cost recovery rates.

A model fee study was developed that breaks down recreation programs into nine areas:

Teens	Summer School
Seniors	Adult Sports
Camps	Special Classes
Aquatics	Day Care
Special Events	

Additionally, staff has collected information comparing Belmont's fees and cost recovery levels with neighboring cities.

The model and comparison information will be presented at the Study Session on April 13.

The Parks & Recreation Commission has reviewed and recommends the subsidy level model identified in the study. The subsidy level categories are based on the model included in the DMG Maximus Master Fee Study. The three subsidy levels and related program activities are:

Subsidy Level

Programs

High (67-100%)	Teens Seniors Aquatics
Medium(34-66%)	Camps Summer School Special Events
Low(0-33%)	Adult Sports Special Classes Day Care

Staff is seeking Council direction on the following issues:

- 1) Is the subsidy model appropriate, that is, are the programs placed in the appropriate subsidy levels?
- 2) Should a subsidy cap, either fixed or a percentage of expenditures, be established?

The total General Fund subsidy for recreation programs in FY 2004 is approximately \$558,000. There are a variety of policy approaches that could be used to establish the subsidy level, including:

- 1) Fixed nominal amount- Keep the costs at \$558,000. As costs increase over time, this would have the effect of reducing the relative subsidy.
- 2) Fixed real amount- The subsidy could be inflated from year to year, to reflect increasing costs. This could be done by inflating according to the CPI or other index, or fixing the subsidy as a percentage of overall recreation costs.
- 3) General Fund dependent- The subsidy could be tied to overall General Fund revenues. As revenue increases so does the subsidy. But if revenues fall the amount would fall in a like amount.
- 4) Amount certain- The size of the subsidy could be reduced or increased over time according to a fixed schedule. If Council, for example, wished to eliminate the subsidy, you could direct that the subsidy be phased out over five years.

Staff recommends that the Council establish the recreation fee subsidy policy as Option #1, Fixed Nominal Amount. That is, the amount of the General Fund subsidy to recreation programs is frozen at \$558,000, the current level. Over time, this will have the effect of reducing the General Fund subsidy in relative terms.

Respectfully submitted,

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