

MAC

MADRAS AQUATIC CENTER

Cost Recovery System

Cost Recovery – A system that represents a park, recreation or conservation agency's decision to generate revenue by charging fees for some, or all, of its programs and services in order to offset the expenses of providing those programs or services. Cost recovery does not imply that the target is total cost recovery; an agency establishes the target according to variety of considerations, from 0 percent to more than 100 percent of direct costs.

Factors – In order to determine an appropriate cost recovery system key factors such as participation, community needs, community benefit, fees, revenues, direct costs and or indirect costs are considered.

Direct Cost: office & equipment supplies, advertising, team fees, uniforms, and coaching salaries, mileage, lodging and meals if applicable.

Indirect Cost: utilities, and administration, lifeguard, receptionist salaries.

Decision – The Madras Aquatic Center elected to approve a cost recovery system based on direct costs only in order to provide a consistent structure to fairly pass along user fees to community members who choose to participate in a respective program. Option 5C was voted 2-1 in favor February 16, 2015. The following percentages were approved to determine in-district pricing:

| | |
|------------------------------------|--------------|
| Adult programs | 125% of cost |
| Youth/Senior out of water programs | 100% of cost |
| Youth/Senior in water programs | 75% of cost |

It was decided that adult programs will help sustain youth and senior programs, thus the 125% for adult programs. Due to the fact the pool is the center of the Madras Aquatic Center Recreation District, in-water activities were given a rate of 75% to help with what generally is higher costs to operate in-water programs. In addition, MAC members would be given a slight break to in-district pricing and out of district would see a higher price. Projected recreation program pricing for 2015-2016 are:

| | | | |
|---------------------|--------------|---------------------|---------------|
| Adult Basketball | \$300/team | Middle/High Soccer | \$37/player |
| Adult Soccer | \$360/team | Youth flag football | \$30/player |
| Adult Flag Football | \$350/team | Youth Soccer | \$30/player |
| Adult Volleyball | \$275/team | Youth basketball | \$30/player |
| Adult Softball | \$350/team | Club Volleyball | \$150/player |
| Madras Swim Team | \$40/month | Water Polo (Fall) | \$180/player |
| Water Polo (Spring) | \$275/player | Race Series | \$10 per race |

Price example (youth basketball): \$25 MAC member/\$30 in-district/\$35 out district

Price example (water polo spring): \$50 MAC member/\$55 in-district/\$60 out district per month

Application -- The MAC cost recovery system gives MAC management a starting point to price programs appropriately based primarily on anticipated participation and also direct costs per program. Without a cost recovery system in place, there would be little guidance for MAC management to set prices and unfair and bias could occur. Under the current system here is an example of how cost recovery is calculated:

| | Direct Costs | Participation |
|---|---------------------|----------------------|
| Adult Softball: | \$1,350 | 10 teams |
| Youth Basketball: | \$2,575 | 100 players |
| Youth Spring Water Polo: | \$7,550 | 20 players |
| (Biggest reason for increase costs for water polo, \$5,000 for coach) | | |

Adult Softball (125% of cost)

Direct Cost (\$1,350) X Cost Recovery (125%) = \$1,687/Participation (10 teams) = \$169/team minimum

Youth Basketball (100% of cost)

Direct cost (\$2,575) X Cost Recovery (100%) = \$2,575/Participation (100 players) = \$25.75 minimum

Youth Spring Water Polo (75% of cost)

Direct cost (\$7,550) X Cost Recovery (.75%) = \$5,663/Participation (20 players) = \$283/player minimum

In the three programs highlighted, the cost recovery system indicates that the MAC will charge a minimum of \$169 per team for adult softball, \$25.75 for youth basketball and \$283 per player for youth spring water polo. This does not mean that the MAC could not charge more.

For example, last year the MAC charged \$350 per team for adult softball, and will likely continue with this same fee moving forward, as the organization believes most likely 10-12 players per team for a total cost of \$29-35 per player for eight games in a season or \$3.64-\$4.38 per game. At this rate, the MAC will have a profit of \$2,900 for adult softball and the affordability is adequate.

In youth spring water polo, the MAC will charge the very minimum because the \$283 total fee for five months of water polo has been indicated by community stakeholder users of this program as a high price. With that said, water polo participants get three days per week of practice time with a professional coach, resulting in \$4.71 per two-hour practice. At this rate, the MAC will operate at a loss of \$1,887 compared to last year's loss of \$5,550.

In basketball this winter, players were charged \$25 or essentially \$3.13 per game for eight games and a T-Shirt. At this rate moving forward, the MAC will break even unless more than 100 players participate resulting in a profit, which is the goal for long-term sustainability. The MAC would operate at a loss if less than 100 players participated.

The main difference between all MAC out of water programs vs. in water programs are coaching fees and total participation numbers, thus resulting in higher user fees in water programs, despite the MAC's willingness to subsidize the in water programs by 25% with taxpayer dollars, the ratio of expenses to participation does not support lower user fees.

Analysis – The MAC currently has a projected direct cost for 15 recreational programs of \$93,193. With the MAC having \$207,550 in yearly anticipated facility costs for utilities and maintenance, \$50,000 annually for maintenance reserve requested by the taxpayers as part of the five-year levy, and \$313,000 in salaries and associated salary costs, the MAC is not healthy enough to absorb 100 percent of its programming, considering total expense will near \$800k. The total collected annually right now from taxpayers outside of the bond to pay for the facility construction is near \$500k. With

that said, the MAC has to rely on grants, donations, memberships and user fees to offset expenses past \$500k. The budget becomes challenging and complex with all the moving parts at the MAC, and we're currently seeking ways to lower payroll costs, as that's always a concern.

Currently, the MAC has \$28,317 of direct out of water program costs and \$64,876 of in water program direct costs. The MAC Board of Directors and the management team have worked for months to answer this question, who should absorb the bulk of the costs for recreational programming based on the budgetary issues the MAC has just to keep the facility safe, staffed properly and maintained? It should be noted that the Bean Foundation has contributed upwards to \$60,000 annually for the development of out of water programs. Those funds are ear marked specifically for the recreation director salary and supplies for the out of water programs.

Under the adopted cost recovery plan, the MAC will go from a total program loss of \$16,143 to a total program loss of \$4,836 with out of water running at a profit of around \$10,000 and in water at a loss of near \$15,000.

Conclusion – A cost recovery system is used by nearly all recreation districts in the country. It's vital because it gives the MAC a way to establish consistent and fair pricing based on key factors like participation, costs and community benefit. The MAC understands this is a work in progress, but this is a starting point. Months of research, board work sessions and conversations with other districts were had to establish the cost recovery percentages adopted Feb. 16, 2015. Without the cost recovery system, the MAC was all over the board with pricing. For example, youth water spring polo was priced at 26% to cost for a loss of \$5,550 for 10-15 participants, while swim lessons were priced at 80% to cost for 1,265 lessons for a loss of \$4,601, and youth soccer was priced at 142% to cost for a profit of \$1,664. Under the recently adopted system, a break still remains for in water programs, while out of water programs are expected to break even or earn a profit. The argument can be made that swim lessons are a service to the community, thus should be subsidized by tax payers more heavily than club sports that attract 10-20 participants. It will be key for the MAC to work with club sports groups to establish fundraising, donations and sponsors for those programs to try and keep user fees low. Our number one priority is to provide long-term sustainable recreational programming to our communities, and the MAC recognizes this takes strong community partnerships. We look forward to working on the challenges together for a healthier community.

CURRENT

| | #'s | Teams | Fees | Fees Collected | Direct Costs | C/R | Profit/Loss |
|---------------------|-------------|-------|--------------------|---------------------|---------------------|------|-----------------------|
| OUT OF WATER | | | | | | | |
| Adult Basketball | 192 | 16 | \$ 300.00 | \$ 4,800.00 | \$ 2,660.00 | 180% | \$ 2,140.00 |
| Adult Soccer | 96 | 10 | \$5,550 for | \$ 3,600.00 | \$ 3,280.00 | 110% | \$ 320.00 |
| Adult Flag Football | 60 | 6 | \$ 400.00 | \$ 2,400.00 | \$ 2,873.00 | 84% | \$ (473.00) |
| Adult Softball | 120 | 10 | \$ 350.00 | \$ 4,250.00 | \$ 1,350.00 | 315% | \$ 2,900.00 |
| Adult Volleyball | 50 | 6 | \$ 300.00 | \$ 1,800.00 | \$ 1,670.00 | 108% | \$ 130.00 |
| Madras Race Series | 125 | | \$ 10.00 | \$ 4,000.00 | \$ 1,825.00 | 219% | \$ 2,175.00 |
| Middle/High Soccer | 72 | 6 | \$ 350.00 | \$ 2,100.00 | \$ 2,657.00 | 79% | \$ (557.00) |
| Youth Flag Football | 100 | | \$ 25.00 | \$ 2,500.00 | \$ 2,356.00 | 106% | \$ 144.00 |
| Youth Soccer | 225 | | \$ 25.00 | \$ 5,625.00 | \$ 3,961.00 | 142% | \$ 1,664.00 |
| Youth Basketball | 100 | | \$ 25.00 | \$ 2,500.00 | \$ 2,575.00 | 194% | \$ 2,425.00 |
| Club Volleyball | 2 | 24 | \$ 150.00 | \$ 3,600.00 | \$ 3,110.00 | 116% | \$ 490.00 |
| Total | 1140 | | \$ 1,935.00 | \$ 36,075.00 | \$ 28,317.00 | | \$ 11,358.00 |
| IN WATER | | | | | | | |
| Madras Swim Team | 360 | 1 | \$ 40.00 | \$ 14,400.00 | \$ 28,950.00 | 50% | \$ (14,550.00) |
| Water Polo Fall | 60 | 2 | \$ 33.33 | \$ 2,000.00 | \$ 4,800.00 | 42% | \$ (2,800.00) |
| Water Polo Spring | 100 | 2 | \$ 20.00 | \$ 2,000.00 | \$ 7,550.00 | 26% | \$ (5,550.00) |
| Swim Lessons | 1265 | | \$ 15.00 | \$ 18,975.00 | \$ 23,576.00 | 80% | \$ (4,601.00) |
| Total | 1315 | | | \$ 28,800.00 | \$ 64,876.00 | | \$ (27,501.00) |
| Grand Totals | | | | \$ 64,875.00 | \$ 93,193.00 | | \$ (16,143.00) |

Option 5C: Adult 125%/Youth & SR 100% out of water/75% in water

| | #'s | Teams | Fees | Fees Collected | Direct Costs | C/R | Profit/Loss |
|------------------------------|-------------|-------|--------------------|---------------------|---------------------|------|-----------------------|
| OUT OF WATER | | | | | | | |
| Adult Basketball | 192 | 16 | \$ 207.81 | \$ 3,325.00 | \$ 2,660.00 | 125% | \$ 665.00 |
| Adult Soccer | 96 | 8 | \$ 512.50 | \$ 4,100.00 | \$ 3,280.00 | 125% | \$ 820.00 |
| Adult Flag Football | 60 | 6 | \$ 598.54 | \$ 3,591.25 | \$ 2,873.00 | 125% | \$ 718.25 |
| Adult Softball | 120 | 10 | \$ 168.75 | \$ 1,687.50 | \$ 1,350.00 | 125% | \$ 337.50 |
| Adult Volleyball | 50 | 6 | \$ 347.92 | \$ 2,087.50 | \$ 1,670.00 | 125% | \$ 417.50 |
| Madras Race Series | 300 | | \$ 7.60 | \$ 2,281.25 | \$ 1,825.00 | 125% | \$ 456.25 |
| Middle/High Soccer | 72 | 6 | \$ 36.90 | \$ 2,657.00 | \$ 2,657.00 | 100% | \$ - |
| Youth Flag Football | 100 | | \$ 23.56 | \$ 2,356.00 | \$ 2,356.00 | 100% | \$ - |
| Youth Soccer | 200 | | \$ 26.41 | \$ 3,961.00 | \$ 3,961.00 | 100% | \$ - |
| Youth Basketball | 150 | | \$ 17.17 | \$ 2,575.00 | \$ 2,575.00 | 100% | \$ - |
| Club Volleyball | 24 | 2 | \$ 129.58 | \$ 3,110.00 | \$ 3,110.00 | 100% | \$ - |
| Total | 1340 | | \$ 2,076.74 | \$ 31,731.50 | \$ 28,317.00 | | \$ 3,414.50 |
| IN WATER | | | | | | | |
| Madras Swim Team | 360 | 1 | \$ 60.31 | \$ 21,712.50 | \$ 28,950.00 | 75% | \$ (7,237.50) |
| Water Polo Fall (3 months) | 60 | 2 | \$ 60.00 | \$ 3,600.00 | \$ 4,800.00 | 75% | \$ (1,200.00) |
| W. Polo Spring (five months) | 100 | 2 | \$ 56.63 | \$ 5,662.50 | \$ 7,550.00 | 75% | \$ (1,887.50) |
| Swim Lessons | 1265 | | \$ 13.98 | \$ 17,682.00 | \$ 23,576.00 | 75% | \$ (5,894.00) |
| Total | 1315 | | \$ 13.98 | \$ 48,657.00 | \$ 64,876.00 | | \$ (16,219.00) |
| Totals | | | | \$ 80,388.50 | \$ 93,193.00 | | \$ (12,804.50) |