

# Lawrence Parks & Recreation Department

## A Comprehensive Master Plan

### Funding the Implementation and Sustention

The objective of any master plan is to make the proposed changes implementable and sustainable. Doing less will doom a plan from the start. Citizens in every community have performance expectations of their parks department. Those expectations range from customer service to program offerings and from program costs to park cleanliness. If a department consistently falls below the expectations, it becomes very difficult for the department to create change. Since the community's expectations are very high, the department will require much diligence to implement the new vision. At the same time, the department must maintain an existing high level of operation and maintenance standards as new parks are developed.

There are basically four ways to accomplish the objective of making this master plan implementable and sustainable. They are:

- Utilize creative funding and financing tools (to implement and sustain)
- Create revenue producing facilities (to sustain)
- Utilize outside volunteer resources (to sustain)
- Control costs (to sustain)

The department must explore any and all combinations of these options in order to maximize the potential for success of the master plan and department.

#### **Initiative: Utilize creative funding and financing tools**

##### **Strategy**

*Begin a campaign to develop key funding and revenue sources.*

The funding sources for the Lawrence Parks and Recreation will need to be enhanced to continue to support the long-term expanded operations and facilities. This department has the opportunity to continue its earned income and nontraditional funding sources like the existing use of sales tax. Those opportunities are provided here to allow the department to evaluate several options that will best benefit the community and the provision of services.

- **Local Option Tax Revenues**

Under Kansas law, both the City of Lawrence and Douglas County are limited in the amount of sales tax authority to the 1% sales tax that each entity has already enacted after voter approval. Some Kansas communities have successfully adopted additional sales tax authority (1% or less) after the approval of both the Kansas Legislature and voters. This sales tax authority has usually been for a specific purpose or project and for a specific county or city, such as jail construction, economic development, highway and street construction, etc. A possible sales tax purpose could be recreation, open space acquisition, etc.

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There is no current Kansas legal authority for food and beverage tax or local option income or earnings authority.

- **Sponsorships, Partnerships and Outsourcing**

Sponsorships and strategic partnerships are exceptional resources the department can use to maximize opportunity in the community.

Sponsorships are the most common form of outside funding support for parks and recreation departments. It is mostly done in the form of advertising in program guides, at sports fields, at special events, or with facility naming. The feedback during this plan development was general acceptance of this approach, provided care was used to be tasteful in the appropriateness of sponsors and the method for recognition. Sponsors must be approached from the business perspective of evaluating their cost per impression for their sponsorships, and not from a philanthropy perspective. To maximize the cost per impression capability of the department, it may be necessary to partner with other parks departments, school corporations, or youth athletic associations in negotiating long-term contracts with sponsors. Recently in Indiana, a school corporation of 10,000 students negotiated a five-year contract with Pepsi-Cola for:

- A 40% commission and an annual stipend of \$110,000 with the commission payment to be no less than \$142,500 per year. This totals to a minimum of \$252,500 per year.
- Four \$1,000 scholarships for graduating seniors,
- 1,000 free cases of Pepsi products per year,
- An annual \$5,000 contribution to the district's educational foundation,
- An annual \$5,000 contribution to the emergency repair fund, and
- One night use each year of the Pepsi suite at the professional basketball and baseball teams stadiums including all tickets, food, and beverages.

This relationship with major sponsors can be achieved if the department can demonstrate the inherent value based on the business exposure to the sponsor. The objective for the department is to not undervalue and therefore under-price that exposure for the sponsor.

Partnerships can take many forms including:

- Investment partners (equity build out of a wellness facility)
- Event partners (special events shared risk and reward)
- Contractual partners (pool concessions with a guaranteed lease plus percentage of the profits)
- Park partners (community groups or agency building an element in a park)
- Non-profit partners (sharing parking with a neighboring church)

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- Interagency partners (joint ownership of a facility with shared revenue)
- Product partners (annual contribution for scoreboards)
- Park-school partners (equal build out of shared gymnasium/classroom facilities)

In any true partnership, it is imperative to understand that the relationship is more than that of a sponsor. It is a contractual relationship that involves risk and reward for both (or all) partners. All parties bring their unique strengths to the table and in that the overall objective of each individual partner is achieved to the highest level. Lawrence currently has a strong partnership with the school district, though there are some inconsistencies in the execution of the contract. As noted in the Action Plan, the resolution of these inconsistencies is important to the strengthening of this viable and important relationship.

It will be beneficial to establish a goal to recover 10-15% of budget revenues through sponsorships and partnerships. Initiating a campaign to identify the natural partnerships for a variety of program areas and begin to court these marriages will help to achieve this goal. The following organizations have been identified as potential partners through the master plan:

Community theater  
School district  
Non-profit community groups – sports  
Businesses  
Lawrence Municipal Airport  
Lawrence Memorial Hospital  
University of Kansas  
Haskell Indian Nations University  
Other government agencies  
Contractors, builders, developers  
Special interest groups  
Neighborhood associations  
Churches  
Resort at Lake Clinton  
Other parks and recreation providers  
Corps of Engineers  
USTA Hockey  
Hallmark  
Lawrence/Douglas County Planning Commission  
The downtown Lawrence Association

Outsourcing is another way to provide quality services at competitive costs. To use this tool, the department must develop activity based costing to understand the true cost of delivering services and programs to the public.

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The ABC model will help identify cost reduction opportunities in addition to the outsourcing option. Units that have been outsourced successfully at other departments include: mowing, horticulture work, golf management, custodian services, pool management, concessions, printing, forestry inspections, recreation center management, marketing, catering, and construction management. Remember that these were done in the context of understanding the department's costs and comparing that to the outside vendors. They were also done in an RFP process to engage competitive and comparative bids for services.

- **Parks Foundation**

Lawrence Parks and Recreation Department should create a parks foundation to assist in acquiring land, developing facilities, sponsoring programs, and buying equipment for the department. The foundation with a 501(C) (3) status can leverage many opportunities for the department that it may otherwise miss out on. The ability of a foundation to react quickly to funding options, create match opportunities with other providers, support individuals in the community with estate planning (including charitable remainder trusts, life estates, etc), and serve as a trust for recreational, scenic or conservation easements is invaluable. By its structure it also provides a community-based board of directors with some arms length management of long-term funds for the department.

- **General Foundations**

Foundation funds can be sought for land acquisition, development and construction of facilities, providing programs and cause promotion. These foundations can include general-purpose foundations that have relatively few restrictions, special program foundations for specific activities, and corporate foundations with few limitations and typically come from local sources.

Some of the larger national foundations (the Lila Wallace Reader's Digest Fund and the Efroymson Fund of the Central Indiana Community Foundation) will have specific funding options. A resource for the department in researching sources of funding is the Environmental Grantmaking Foundations by Resources for Global Sustainability, P.O. Box 22770, Rochester NY 14692. The economy over the last five years has had a tremendous positive impact on the valuation of many foundations. Today, because of their distribution requirements numerous foundations are searching for worthy projects to support.

- **Federal and State Assistance**

Federal funding sources necessary to help finance the Master Plan recommendations have historically been available from the U. S. Park Service's Land and Water Conservation Fund (LWCF). The Kansas Department of Transportation administers the Transportation Enhancement Funds from the Transportation Equity Act for the 21<sup>st</sup> Century (TEA-21).

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Nationally, \$108,000,000 is projected to be available over the next six years for transportation enhancements, 23% of which is targeted for bicycle and pedestrian projects and 25% for landscaping and scenic beautification.

Eligible projects include:

- Facilities for bicycles and pedestrians
- Acquisition of scenic easements and scenic or historic sites
- Scenic or historic highway programs
- Landscaping or other scenic beautification
- Historic preservation
- Rehabilitation and operation of historic transportation buildings, structures, or facilities
- Preservation of abandoned railway corridors
- Control and removal of outdoor advertising
- Archeological planning and research
- Mitigation of water pollution due to highway runoff
- Establishment of transportation museums

Potential funding through the U. S. Department of Housing and Urban Development's Community Development Block Grant Program is also available given certain criteria is satisfied, though it may not be as applicable in Lawrence.

- **Fees and Charges**

There are three different types of consumptive services provided by parks and recreation agencies that must be identified and priced accordingly.

1. A *public service* has high public benefit (equal benefit to everyone) and is designed to be free and supported by taxes.
2. A *merit service* provides some public benefit. The person receiving the service benefits more than the general taxpayer and is asked to pay an equitable share of the cost to provide the service.
3. A *private benefit service* benefits the user totally and not the general taxpayer. The user is asked to pay for the total cost of the experience.

A pricing policy will need to be created to determine each program strategy level and the levels of programs brought on in the future.

1. *Public service* programs are the category that is usually most representative of parks' fees and charges system. A policy will need to be developed to reflect the programs that will fall into each of the three program areas. Level 1 serves as the high public benefit (equal benefit to everyone) category.
  - Senior Citizens Programs
  - After School Tutoring Program

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- Fatherhood Initiative Program
- 2. The department can also use *merit service* programs. Level 2 serves as some public benefit category. Some examples of these programs are.
  - Day camps
  - Youth athletic programs
- 3. The *private benefit service* level will typically be initiated once specialized programs are initiated. Level 3 serves as benefiting the individual user totally category.
  - In-line skating
  - Bicycle road races
  - Tennis Centers
  - Golf Courses
  - Adult softball and basketball
  - Adult GED programs
- **Resident / Non-Resident Fees**

A philosophy of pricing activities based on the value and benefits to the participant is necessary to create equity for the Lawrence residents and residents of other communities. An out of City policy should also be considered if any of the parks have regional draws. This can be instituted in a variety of methods and care must be taken not to make the system cumbersome and thereby costly. Models used range from license plate checking as one enters a park to address or phone number checking when one registers for classes/programs. Both models can be used with moderate success. The simpler trend is to determine the program or facility that draws more out of county participants and price appropriately. For example, regional aquatic centers in many communities will draw from outside their service area on weekends. In response, many facilities have weekend rates.
- **Real Estate Transfer Fees**

An increasingly popular funding source in many communities around the country for the acquisition, upgrade and upkeep of parks is a real estate transfer fee. The basis for the fee is the intrinsic value the existing parks provide for the property values in the community. The idea behind the fee is that a person who buys the property hastens the decline of the available open-space in the community. The fee reflects the value the parks add to the homes, businesses, and property. Typically the fee is  $\frac{1}{4}$  to  $\frac{1}{2}$  of 1% of the transfer value of the property (\$250-500 per \$100,000 home sale). For example, the states of Florida and Maryland and cities of Seattle, Vail, San Jose, Breckenridge and Nantucket all use this instrument successfully. This money then is captured by the responsible local agency as defined by ordinance and transferred into the capital budget of the parks department. The fee amount, who pays it (seller or buyer), and at what value level the fee initiates are all matters for negotiation as the fee is instituted.

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The legal authority to require a real estate transfer fee in Kansas would need to be examined prior to additional consideration. Legislative authority for such an exaction would be likely.

- **Tax Increment Financing (TIF)**

A more esoteric funding source for parks is the use of TIF districts to stimulate redevelopment, particularly in urban areas. Minneapolis, Portland and Corpus Christi have all successfully used TIF districts in this way. The implications and intricacies about the use of TIF's are beyond the realm of this plan. However, the unique feature of TIF districts is that they fundamentally rely on property taxes created directly by the revitalization projects in the defined district. Coupled with other projects, this may be a valuable instrument in funding, particularly renovation in the business areas of Lawrence. TIF purposes are established by Kansas's law for currently limited purposes.

- **Non-reverting Funds or Enterprise Funds**

This is another method of funding program and capital projects. Non-reverting funds designate programs that generate excess revenue and that income is placed in a separate account. Program, operational and maintenance support for the designated program can then be drawn from this account to support or subsidize the tax support needed. This must be created by an ordinance from the enabling legislative body.

- **Impact Fees**

Another tool used in cities that are undergoing much residential development, or anticipates doing so, is a developer impact fee. This funding method calculates the amount of capital the parks department has invested in their parks (acquisition, construction, and infrastructure) and divides it by the number of units in its district. Units are defined as houses or apartment complexes (an apartment complex is one unit). The rationale is that the existing citizens have shared in the development to date and so the new residents should share like costs. For illustration purposes, if the parks department has spent \$1,000,000 and the number of existing units is 10,000, then the impact fee per unit developed is \$100. This translates into a one hundred-unit housing development paying \$10,000 at the time of permitting. Like non-reverting funds, this also must be passed by ordinance. Three communities we reviewed ranged from \$84/unit to \$254/unit to \$274/unit fee. The \$84 is currently upgrading their rate (they have spent money on parks since the ordinance passed) and the new rate is projected to fall between \$225 and \$250/unit.

The legal requirements for a park impact fee or payment-in-lieu-of-dedication fee would need to be examined prior to additional consideration.

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- **Revenue Bonds**

A popular funding method for financing high use specialty facilities like golf courses, ice rinks, tennis centers, fitness facilities and athletic complexes for outdoor sport. In order for this vehicle to work, it must produce enough excess revenue to cover its operational costs and service its bond debt.

- **Maintenance Endowment**

Any time funds are raised to develop or acquire a park and/or land; a maintenance endowment should be included in the formula. Using conservative formulas, the endowment should be built anticipating a payout of 4-5% annually with no invasion of the corpus. For developed parkland the department should project a \$3,000 per year maintenance budget per acre. Using the 40-acre park as a model and assuming a 60% development, this assumes a 24 acre developed park. At \$3,000 per acre times 24 acres one would need \$72,000 per year for maintenance. Using a 5% payout, the endowment to fully support this park will be \$1,440,000. The creation of this endowment should fall under the park foundation and be established as a designated fund.

- **Naming Rights**

A creative funding method for special use facilities is the contracted naming rights by organizations. This includes anyone who finds value in having a popular facility (golf courses, aquatic centers, ice rinks, tennis centers, nature center, fitness facilities and athletic complexes) named after his or her company or organization. The value should be determined by the market value of the ongoing promotion of the facility and should include dollars to maintain the facility to a high level. A word of caution, this should only be used after clearly understanding the community's values and tolerance for this tool. Many may construe this as "selling out" and be resentful of the department. Additionally, one should be careful to be selective in naming so the department does not have a name on "every square inch" of the park. Overusing this tool can have a detrimental effect on future funders and the image of the park in general.

- **Easements**

Every landowner holds a "bundle" of rights associated with the property. In using easements to create parkland, the department leverages the property without actually purchasing the land. The three most common easements in parks and recreation are recreation easements, conservation easements, and scenic easements. Each instrument provides the landowner title to the property, while for consideration of an annual fee, the landowner agrees to the conditions of the easement. Those conditions may include access and use of the property for recreation, complete conservation of the natural ecosystem on the land, or providing views from off-site across or into the property.



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### *Conduct Funding Workshop on Specific Initiatives*

Upon review of the initiatives listed above, the department should determine the tolerance for any to be implemented. This workshop should include a small number of key community leaders and be positioned in the context of all other community initiatives being developed concurrent with the Master Plan. While all initiatives have the potential to support the plan, some of the more aggressive ones may take longer to implement due to their complexity (TIF's, real estate transfer fees, impact fees, revenue bonds) where others may move along quickly (creation of park foundation, naming rights, sponsorships, partnerships and outsourcing). This workshop is the determining factor in the breadth to which the master plan can and will be implemented.

### **Initiative: Create revenue-producing facilities**

#### **Strategy**

#### *Develop Facilities that Generate Excess Revenue*

Nationally, two of the most proficient revenue producing amenities in a parks and recreation system are family aquatic centers and golf courses. Both of these facilities can generate enough cash flow to service their operational needs as well as support other needs of the department. As evidenced by the Eagle Bend Golf Course and the family aquatic center, both generate excess revenue to support the department. It should be noted that many golf courses if properly positioned, marketed, and structured (i.e., driving ranges, lessons, concessions, pro shop, etc.) generate a 20% excess revenue margin annually. As with any business, it is imperative to constantly reinvest in the course in order to draw patrons in. Likewise, family aquatic centers can conservatively generate excess revenue margins in the 12-15% range. On a typical facility with a 1,200-bather capacity projected to have 85,000 users, a margin of \$115,000 should be anticipated.

### **Initiative: Utilize outside volunteer resources**

#### **Strategy**

#### *Create a Volunteer Corps*

To enhance the potential for full program growth and maintenance support, it will be beneficial for the department to create a Volunteer Corps. Volunteers can be used in a variety of organizational capacities as maintenance support, program assistants and office help. There are tremendous opportunities to use retired individuals, parents and youngsters, and special interest groups (garden clubs, nature conservancy, swim clubs, scouts) to foster community growth, legislative initiatives, recreational programs, and park maintenance/beautification projects.

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### *Employ a Volunteer Grants/Quality Control Coordinator*

Managing volunteers is a huge undertaking. Due to the existing workload, the current staff will not successfully accomplish this. A Volunteer Coordinator will enhance the existing structure of the department by eventually focusing solely on the recruitment, retention and recognition of the volunteers. Volunteerism can be promoted through programs such as "Adopt a Park", "How-To" Adult Education programs, teen adventure programs, the creation and supervision of "Trips and Tours" for adults and teens, and assistance in the office. Business people can lend help in creating a legislative agenda for the community. Volunteer teachers can teach athletic team coaches the American Coaching Effectiveness program. The coordination of any community corrections work program can also be managed out of this area.

The department can gain many benefits through a strong, well-coordinated volunteer effort. The effort expands the potential resources in the community. The Volunteer Coordinator will be a catalyst in seeing this effort accomplished.

### **Initiative: Control costs**

#### **Strategy**

#### ***Develop Activity Based Costing (ABC)***

As the department evolves, it will be imperative to determine and understand exactly how many and what services are provided to the community and the true costs of those services. By understanding the true costs, the department can achieve savings through cost controls.

- Finding less expensive ways to deliver services
- Reducing costs of service outcomes
- Redesigning programs
- Increasing volume relative to cost reductions
- Understanding the delivery/program design integration

There are four basic components that determine how the ABC model will track cost information. Those components are activities, cost pools, drivers, and outputs.

1. Activities represent the services and/or products produced by the department. The goal is to determine the total cost of the activities by the respective cost pools. Examples of activities include fitness programs, adult softball, environmental programs, building maintenance, open swim, and swim lessons.
2. Cost Pools are the major components of the costs incurred by the department. ABC allocates cost pool amounts to activities. Examples of cost pools include location of activity, individual program area within activity, individual park mowing, and groupings of certain areas within activity.
3. Drivers are the basis to allocate costs from cost pools to the activities. When the drivers are defined, the user must be capable of establishing the total quantity of the driver. Drivers are then linked to the cost pools to determine the rate per each driver unit.

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Examples of drivers include direct labor hours, equipment hours, materials usage, overhead, drive time, and repairs.

4. Outputs are the unit of measure, which represents the number of times an activity is performed during a specified period. Examples of outputs include number of program participants, number of admissions for open swim, number of games played for seven days, and number of admissions for special events.

The following example illustrates ABC for one program activity on a per participant cost level. For programs this is the typical measuring tool, while with maintenance it may be acres mowed or square feet maintained.

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### ABC Example

#### Reports (see below)

- A) Cost Pools/Activity
- B) Cost Pools/Related Drivers
- C) Activity Consumption
- D) Cost per Activity

### Activity Based Costing Example Summary

A Cost Pools				B Cost Pools and Related Drivers			
Cost Pool Name	Total Dollars			Cost Pool Name	Driver	Total Dollars	
Youth Baseball	\$ 5,100			Youth Baseball	Direct Labor Hrs	\$2,800	
Youth Soccer	\$ 4,000				Contractual Hrs	\$1,000	
Youth Basketball	\$ 3,000				Vehicle Hrs	\$600	
Youth Football	\$ 2,000				Indirect Labor Hrs	\$400	
TOTAL SPORTS	\$14,100				Overhead Hrs	\$300	
						\$5,100	

  

C Activity Consumption				D Cost per Activity			
Driver	Activity 1	Activity 2	Total	Driver	Cost Act. 1	Cost Act. 2	Activity
Direct Labor Hrs	60	40	100	Salaries	\$1,680	\$1,120	\$2,800
Contractual Hrs	20	0	20	Contractual	\$1,000	\$0	\$1,000
Vehicle Hours	25	15	40	Vehicle Costs	\$375	\$225	\$600
Indirect Labor	12	8	20	Indirect Labor	\$240	\$160	\$400
Overhead Hrs	18	12	30	Overhead	\$180	\$120	\$300
				TOTAL OUTPUTS	\$3,475	\$1,625	\$5,100
				Program Participants			
				Open Admissions	100		
						100	
				*Cost/ Participant	\$34.75	\$16.25	\$25.50

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### Usefulness of Reports

- Comparison to private service provider
- Too expensive to operate
- Return on investment
- Public willing to pay more
- Services priced to low to cover cost
- Cost per participant \*
- \* Report D -  $\text{Cost per activity} \div \text{Outputs} = \text{"True" cost per participant}$   
(Versus direct cost or subsidized cost per participant)

This process is imperative if the department considers outsourcing either programs or operations and maintenance as a tool. As noted earlier, outsourcing can help lower operational or maintenance costs. But in order to compete those costs, the department must first be able to quantify their costs.