

# THE CITY OF



# OWATONNA

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DATE: November 8, 2021  
TO: Park Board Members  
FROM: Jenna Tuma, Director of Parks and Recreation  
SUBJECT: 8.a Cost Recovery Model

As a publicly funded park and recreation system, the City of Owatonna Parks and Recreation Department provides core level of service for free to the public, in exchange for tax dollars. However, as the level of services or benefits increase, fees and charges to recover costs are considered a responsible and necessary means to supplement tax revenue.

The use of a Cost Recovery Model as a guiding document will assist leaders in answering challenging questions such as 1) are our programs priced fairly and equitably, 2) are we using funding in a responsible manner, and 3) how the charges for service support our mission, vision, and values.

## **Background**

The Owatonna Parks and Recreation department currently utilizes a variety of means to offer parks and recreation programming, and amenities for the residents and community. The residents of Owatonna enjoy a depth of special interest organizations, clubs, and associations which provide platforms for those in likeminded activities. The Parks and Recreation Department has strong relationships with these interest groups through collaborations and partnerships to provide recreation opportunities. Some of these efforts have been formalized in agreements of which some have expired. In other situation staff are working off recollection. The agreements are unique in terms with no standardization or guidelines resulting in inconsistent fees, levels of maintenance, fairness, and undefined benefits expectations. Some of these have been handed down through the years.

Moving forward in establishing a fees schedule, there will be a transparency and structure of fees as we make decisions using the framework of a Cost Recovery Model. Agreement in terms and levels of benefits received will be applied consistently. The department recognizes the need for this model to manage its service standard and establish more transparency and credibility with the community.

## **Purpose and Goals**

The Department desires to evolve a long-term strategy, structure, and system that provides for its fiscal well-being and sustainability while being responsive to the community.

The goals are:

- Develop a sustainable and justified philosophy, policy, and cost model for calculating fees.
- Provide a tool to be used to recalibrate existing parks and recreation fees based on the resulting parks and recreation philosophy.
- Define a cost recovery philosophy to be adopted by the City Council and Park Board.

In establishing fees and charges, the Parks and Recreation Department will establish the costs of providing services and establish goals to recover those costs. The appropriate level of cost recovery will be based on an assessment of who is benefiting from the service provided. If the benefit is to the community as a whole or core services (level 1), it is appropriate to use taxpayer dollars to fund the service completely or primarily. Examples of services that primarily provide community benefits are parks, hiking and biking trails, play areas, green space, or natural areas.

As the benefit is increasingly offered to an individual or a select group of individuals, it is appropriate to charge fees for the service at an increasing rate of cost recovery. Supervised or instructed programs, facilities, and equipment that visitors can use exclusively, and products and services that may be purchased. Examples of services are swim lessons, group activities, and rentals.

The Parks and Recreation Department will consider available resources, public need, and the community economic climate when establishing fees and charges. In cases where certain programs and facilities are highly specialized by activity and design, and appeal to a select user group, staff will consider fees charged at market rates. Fees and charges can be set to recover costs more than direct and indirect costs. Examples are private lessons, enterprise operations, and food and beverage.

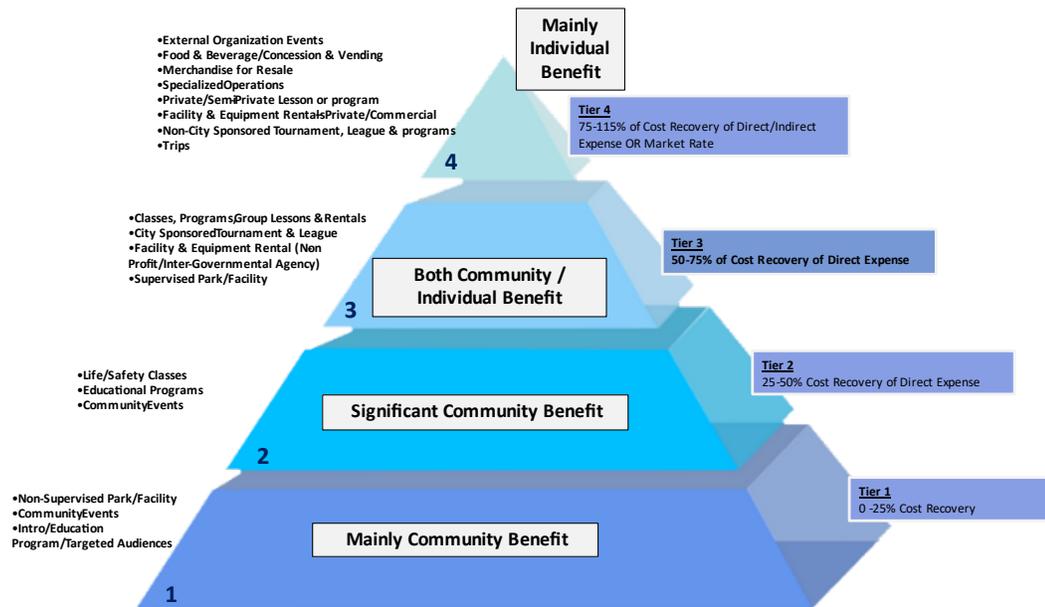
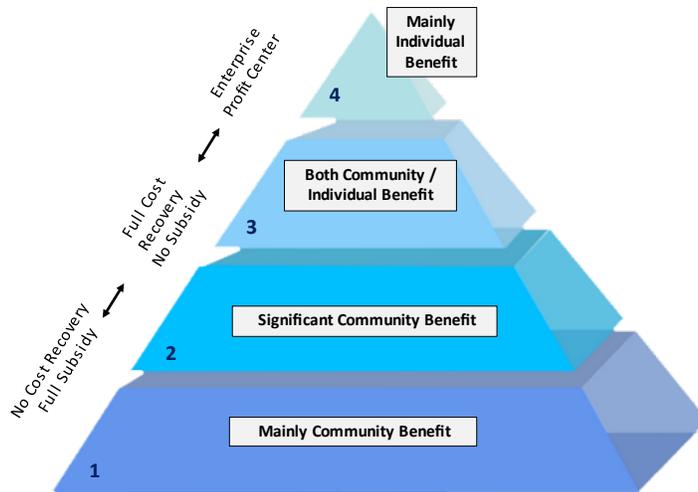
The Department may subsidize the cost recovery objective of services for persons with economic need or other targeted populations, as determined by policy of the City Council, through tax-supported fee reductions, scholarships, or grants. The City Council may also approve exceptional fees or fee waivers upon determination that the fee arrangements will benefit the public interest. Examples are special or community events.

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