



CITY OF SANTA BARBARA

PARK AND RECREATION COMMISSION REPORT

AGENDA DATE: April 9, 2007

TO: Park and Recreation Commission

FROM: Recreation Division, Parks and Recreation Department

SUBJECT: Proposed Change to Resident Discount Policy

RECOMMENDATION: That the Commission hear a report on proposed policy changes to the Resident Discount Policy for FY 2008.

DISCUSSION:

The Parks and Recreation Department is proposing a change to the Resident Discount Policy for the FY 08 budget. The policy, adopted in January 2004, provides city residents a 20% discount on fees and services offered by the Department. While the policy can be attributed to increased participation in department programs by residents, fewer non-residents have participated, and program revenue has declined as a result.

Following extensive analysis of resident and non-resident participation, and consideration of future revenue requirements, the Department proposes to reduce the fee differential between residents and non-residents to 10% for programs. As there has been no discernable decrease in facility rentals, it is proposed that the 20% fee differential for facility rentals will remain in place. The Department's proposed FY 08 and FY 09 revenue budget and Fees & Charges document reflect this change to the policy.

BACKGROUND

The Resident Discount Policy was implemented January 1, 2004, and fees were increased by 20% for most programs and services. A person, who is a resident of the City of Santa Barbara and meets the eligibility criteria, can receive a Resident Discount Card (RDC), which qualifies them for a 20% discount on the adopted fees. The Resident Discount Policy was based on the premise that those persons residing outside of the City limits do not pay property taxes, utility user taxes or vehicle in lieu taxes. These taxes are components of the General Fund, from which the Parks and Recreation Department receives support for programs and services. Since non-residents do not pay these categories of taxes, and they participate in the Department's fee programs, a fee recovery subsidy was charged to non-residents through an additional 20% fee for a program.

Since the policy took effect there have been some positive as well as adverse effects. Data collected from 2004 through 2006 shows that although there were some significant

declines in various programs, overall program participation grew 6% over the 3 years. Participation by residents increased by 19.8%; while participation by non-residents declined 9.7%.

In the first 2 years of implementation, Recreation was unable to achieve 100% of budgeted revenue as participation in many programs decreased, resulting in significant expenditure reductions in order to meet budget. Recreation staff has worked consistently, and with some success, to revitalize programs, increase marketing, and realign fees (resident and non-resident) to market rates. As a result, participation is on an upward trend and recreation revenues appear to be stabilized at this time.

For years, the Department has provided participants with affordable, quality programming and, until recent years, recreation programs provided a reliable revenue source for the General Fund. Every year the Department is asked to increase revenue by 4% to offset budget expenditure increases. While increased revenue can be accomplished through fee increases, higher fees can become a deterrent to participation. The better alternative is to insure that fees remain competitive with the local market and increase participation in program to sustain stronger revenue production over time.

Therefore, as a tactic to keep fees competitive with the local market, increase participation by non-residents, and enhance revenue opportunities for the future, the department is proposing a change to the Resident Discount Policy.

PROPOSED CHANGE TO RESIDENT DISCOUNT POLICY

Following extensive analysis and discussion, staff proposes that the differential between resident and non-resident fees be reduced from 20% to 10% in Recreation camps, programs and classes.

Fees for indoor and outdoor facility rentals are proposed to retain the 20% fee differential. As there has been no discernable change in the number of facility rentals since the policy was adopted, and because most rentals are on a one-time, non-recurring basis by private individuals or groups for private events, the 20% fee differential is proposed to remain the same.

FEEES, PARTICIPATION AND POSITIONING WITHIN LOCAL MARKET

For the greatest cost, benefit, and revenue potential, programs should be operated at the highest possible fill rate (maximum number of participants per activity). Most recreation programs and classes have the capacity to add participants and generate additional revenue.

Since the inception of the Resident Discount Program, the resident fee structure has stayed below, or in-line with, other agencies in Santa Barbara County providing comparable programs; however, the non-resident fees have significantly increased above market value. Because non-residents can access identical programs in the community at a lower fee, the policy has become a deterrent to non-resident participation.

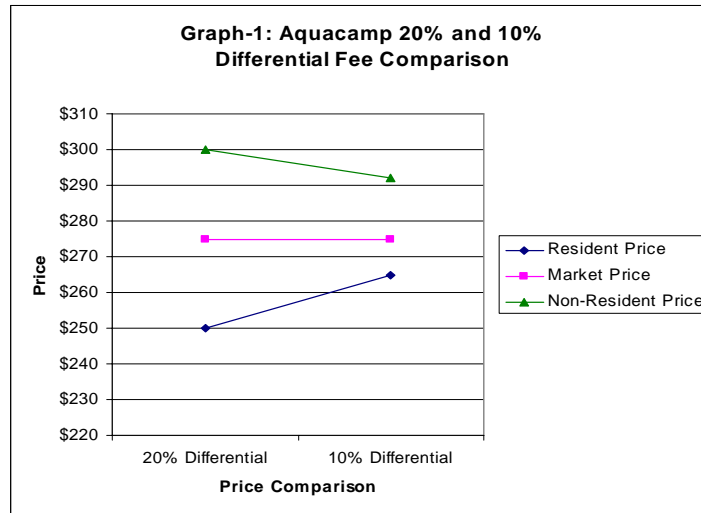
To address this issue, and increase non-resident participation and program revenues, Recreation needs flexibility to position program fees in order to compete successfully with other local service providers. The proposed policy change helps to reduce any real or perceived barriers to participation that result in people choosing not to participate in City Recreation programs.

Fee Comparison with Local Market

The table below illustrates how FY 2007 resident and non-resident fees compare to competitors' fees for equivalent programs. Changing the percentage differential from 20% to 10% would increase resident rates to better match competitor prices, while ensuring that non-resident rates do not exceed the competition and deter participation.

Agency	Program	Resident	Non-Resident
City of Santa Barbara	Aquacamp	\$250	\$300
City of Carpinteria	Aquacamp	\$260	n/a
U.C.S.B	Summer Day Camp	\$270	n/a
City of Santa Barbara	Group Swimming Lessons	\$46	\$56
City of Carpinteria	Group Swimming Lessons	\$65	n/a
U.C.S.B	Group Swimming Lessons	\$55	n/a
City of Santa Barbara	Youth Group Tennis Lessons	\$10.85hr	\$13.14hr
Private Tennis Clubs	Group Tennis Lessons	\$12hr	\$13.50hr

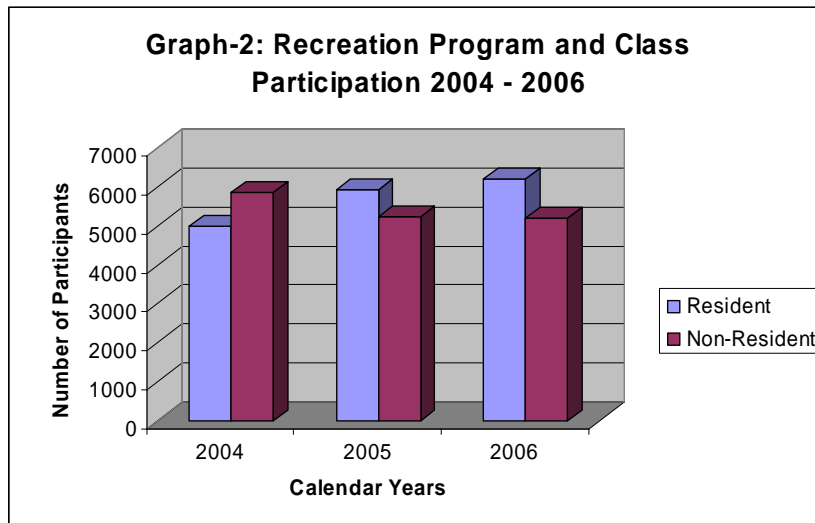
Graph - 1 shows that with the current 20% fee differential the resident and non-resident fees are not competitive with the market price. However; if a 10% differential was implemented, the resident rate fee can be increased closer to market rate, and the non-resident fee is lowered to keep a program in-line with competitor's fees.



PARTICIPATION TRENDS SINCE 2004

The table below and Graph - 2 show participation in all recreation programs, camps and classes over the 3 years since the policy was adopted. Resident participation increased by 19% in year two, and another 5% in year three. Non-resident participation declined 11% in year two, and grew by 1% in year three. Overall participation increased 6.1% over the 3 years. Participation trends in Summer Camps and Children's Creative Dance reflect the challenges that some programs have had since the policy went into effect.

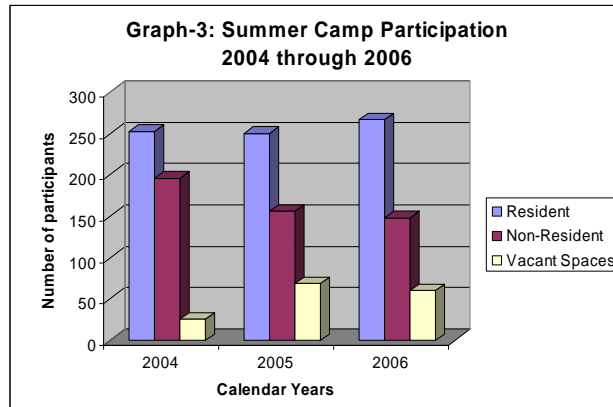
	2004	2005	Chg.	2006	Chg.	3 YR Change
Resident	4,982	5,912	19%	6,212	5%	19.8%
Non-resident	5,852	5,217	-11%	5,284	1%	-9.7%
Total participation	10,834	11,129	3%	11,496	3%	6.1%



Summer Camps

The table below and Graph - 3 show that summer camps have been challenged with a competitive local market and that the increase in resident participation has not compensated for the loss of non-resident participants. Over the 3 years, participation has declined 7.6%. (Participation data from Sports and Beach Camp, Aquacamp and Nature camp were used to reflect a cross-section of camps that have remained consistent since 2004.)

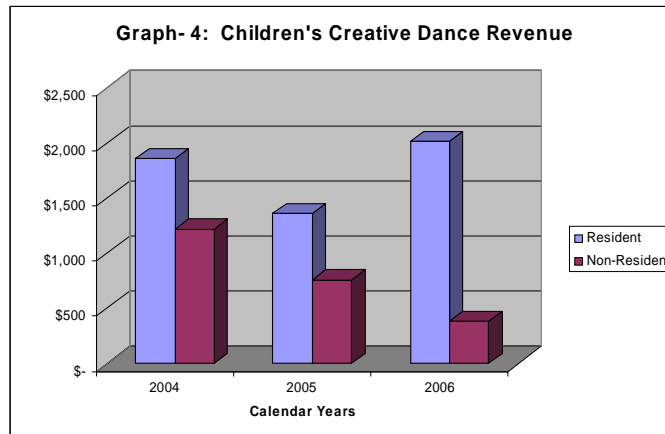
	2004	2005	Chg.	2006	Chg.	3-YR Change
Residents	253	250	-1%	267	7%	5.3%
Non-residents	196	156	-20%	148	-5%	-24.5%
Unfilled spaces	26	69	165%	60	-13%	131%
Total Participation	449	406	-10%	415	2%	-7.6%



Children’s Creative Dance Class

The table below and Graph - 4 shows that non-resident revenue in Children’s Creative Dance has steadily declined since the Resident Discount Policy was implemented. While gains have been made in marketing this program to residents, the loss of non-resident participants largely contributed to a revenue loss of 22% from 2004 to 2006.

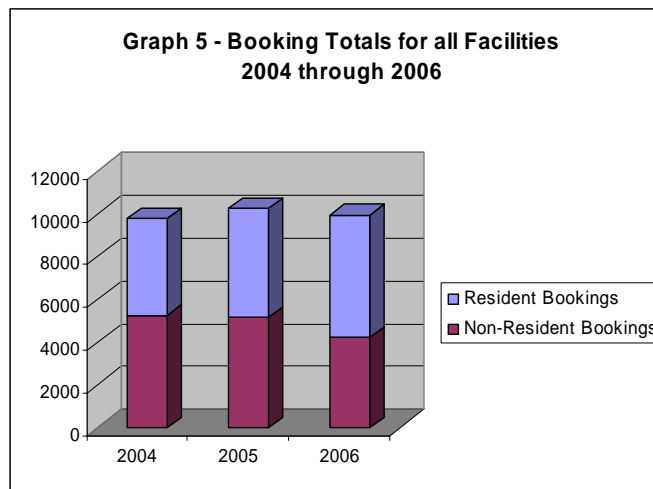
	2004	2005	Chg	2006	Chg	3-YR Change
Residents	\$1,862	\$1,360	-27%	\$2,020	49%	8%
Non-residents	\$1,219	\$759	-38%	\$386	-49%	-68%
Total Participation	\$3,081	\$2,119	-31%	\$2,406	14%	-22%



INDOOR AND OUTDOOR FACILITY RENTALS

The Parks and Recreation Department has many indoor facilities and outdoor parks and beaches that are rented by residents and non-residents for public events, such as festivals, fundraising walks/runs; or private, invitation-only events such as family gatherings, company meetings and weddings. Unlike recreation camps, programs and classes, facility rentals have not seen significant decreases in participation or revenue since the implementation of the Resident Discount Policy. In fact, most facility show an overall increase in revenue due to the additional 20% that non-residents pay.

Participation in facilities is measured by the number of bookings in each facility. The table below and Graph-5 show that bookings at all indoor and outdoor facilities have been relatively stable. Use by residents and non-residents is nearly equal, and has not changed substantially over the 3 years although there was a slight decline by non-residents in 2006. In 2004, there were 9,773 bookings processed. In 2005 bookings increased by 5%, for a total of 10,256. This number reduced slightly by 3%, with 9,969 bookings in 2006.



Facility Rental Fees Remain Competitive with Local Market

The rental demand for facilities has not changed due to the fact that rental facilities are priced at or below market, unlike our Recreation camps, programs and classes. The table below depicts how the fees for the popular Cabrillo Pavilion Arts Center compare to other similar non-city indoor facilities.

Agency	Indoor Facility	Resident	Non-Resident
City of Santa Barbara	Cabrillo Pavilion Arts Center	\$2,046	\$2,346
Church	Unitarian Society Santa Barbara	\$1,500	n/a
Private Facility	SB Women's Club "Rockwood"	\$3,800	n/a

The table below depicts how the fees for of a 250 to 300 person wedding at Chase Palm Park Outdoor Pavilion compare to other similar non-city outdoor facilities.

Agency	Outdoor Facility	Resident	Non-Resident
City of Santa Barbara	Chase Palm Park – Pavilion	\$600	\$720
Elings Park	Godric Grove	\$2,500	n/a
Santa Barbara Zoo	Hilltop and Palm Garden	\$3,000	n/a

Justification for 20% Fee Differential for Facility Rentals

Since the demand for rental facilities remains unchanged since the policy was implemented it is not recommended to modify the 20% fee differential . Both indoor and outdoor facilities have costly maintenance and operational expense subsidized by the General Fund. On top of these regular costs, facilities periodically incur equipment replacement, planned maintenance and minor/major renovation costs in order to maintain them at an attractive and desirable level. While the 20% differential doesn't come close to recovering full costs, it certainly assists with the bottom line and reduces subsidy by the General Fund.

There were 9,969 rentals of department indoor and outdoor facilities in the 2006 calendar year. Out of that total, less than 1,000 rentals were open to the public without charge (i.e. Fiesta, ethnic festivals, senior lunch program). The majority of rentals were by individuals, families, or companies and non-profit organizations for private events such as picnics, barbecues, fundraisers, meetings and weddings. For this reason, staff strongly believes

that the General Fund subsidy to facilities should be held to a minimum and that non-residents should continue to pay the 20% fee differential.

FY 08 AND FY 09 PROPOSED BUDGET

The proposed FY 08 and FY 09 revenue budget and Fees & Charges document reflect the change being proposed to the Resident Discount Policy. This change allowed both resident and non-resident program, camp and class fees to be set closer to the competition market rate. Staff believes there will be no revenue loss with this proposed change to the policy; rather, the change will support increased revenue in future years.

SUMMARY

The response to the Resident Discount Policy which was implemented in January 2004 has been mixed. While participation by residents increased by nearly 20% over the past 3 years; participation by non-residents declined nearly 10%. While overall participation increased 6%, most Recreation programs have the capacity to serve more people and generate increased revenue.

The proposed policy change to reduce the non-resident fee differential from 20% to 10% for recreation programs allows both resident and non-resident fees to be set closer to market rates, and is expected to increase non-resident participation. Higher participation assures stronger sustained revenue production over time, which is critical for the long term fiscal health of the Recreation Division.

At the same time, the data shows that it makes sense to keep the 20% differential for facility rentals since participation was never really affected by the current policy. Given the General Fund subsidy level provided to maintain and operate facilities, it is justified to have non-residents pay a higher cost for use of City facilities

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APPROVED BY: Nancy L. Rapp, Parks and Recreation Director