



WESTPORT CONNECTICUT
PARKS AND RECREATION DEPARTMENT
LONGSHORE CLUB PARK
260 SOUTH COMPO ROAD
WESTPORT, CT 06880

LEGAL NOTICE OF WORK SESSION MEETING

Notice is hereby given that the Parks and Recreation Commission will hold a public work session meeting on Wednesday, September 1, 2021 at 6:00pm. Pursuant to the Governor's Executive Order No.7B, there is no physical location for this meeting. It will be held electronically. Meeting materials will be available on the Meeting List & Calendar page of the Town website at westportct.gov, along with the meeting notice.

Instructions to attend:

+1 646 876 9923

Meeting ID: 858.6054.7951

Passcode: 035401

WORK SESSION AGENDA

(The public may observe the work session, but not participate.)

1. Financial Sustainability Strategy Policy (Discussion Only).

Charles Haberstroh, Chairman
Parks and Recreation Commission

It is the policy of the Town of Westport that all Town-sponsored public meetings and events are accessible to people with disabilities. If you need assistance in participating in a meeting or event due to a disability as defined under the Americans with Disabilities Act, please contact Westport's ADA Coordinator at 203-341-1043 or eflug@westportct.gov at least three (3) business days prior to the scheduled meeting or event to request an accommodation.

Parks and Recreation Commission

Meeting Date: September 1, 2021

Work Session Item #1:

The public may observe the work session, but not participate.

Financial Sustainability Strategy policy. (Discussion Only).

Background Information:

The Department, along with our consultant, has been developing a Financial Sustainability Strategy to better equip the Department in making data driven decisions relating to our financial operations.

The first portion of this process was the development of a continuum. In addition to Department staff, the Commission participated in this process during the March 17, 2021 work session.

The second portion of this process is the development of a policy that addresses the implementation of this strategy. The draft policy has been accepted by staff and is attached for review and comment by the Parks and Recreation Commission, and subsequent adoption.

Back-up Documents:

Town of Westport Parks & Recreation Financial Sustainability Policy – Draft 8-10-2021

Staff Recommendation:

N/A

Resolution Format:

N/A



Town of Westport Parks & Recreation

Financial Sustainability Policy - DRAFT 8-10-2021

PURPOSE

Public park and recreation services have varying benefits with the accrual of benefits to both individuals as well as the community at large. Therefore, it is appropriate for public park and recreation services to be supported by both participant/user fees and taxpayer funding. The annual Town of Westport budget ultimately determines the amount of taxpayer support that will be made available for park and recreation services which results in understanding the degree to which participation fees will need to be assessed to ensure the ongoing availability of park and recreation services afforded Town residents and other users.

In alignment with the Town of Westport's commitment to being a *financially sound government* for the benefit of all residents, the Parks and Recreation Department is shifting towards a fiscal management philosophy focused on "beneficiary of service". In this conceptualization, each type of service has a set of specific characteristics that provide a rationale for who should pay (e.g., taxpayers, the individual, or both) and to what degree. Ultimately, this grounds cost recovery expectations and the spending of taxpayer dollars in a philosophical underpinning that affirms a commitment to equitable investment, financial discipline, and long-term fiscal health.

POLICY STATEMENT

The Town of Westport Parks and Recreation Department's Financial Sustainability Strategy intends to create organizational resilience by way of logical, intentional, and thoughtful guidelines for investment and spending decisions. The strategy encourages revenue generation strategies and practices that are fair, equitable, and responsible. This policy is necessary to ensure the Department's financial stability in the near and long term.

COST RECOVERY/SUBSIDY

Cost recovery refers to revenues generated from fees and charges, sponsorships, donations, grants, and other alternative revenue streams in relation to the amount of money necessary to operate a service. For example, a cost recovery level of 75% simply means that for each dollar spent on a service, 75-cents is generated from a revenue source (i.e., fees) with the remaining 25-cents covered by subsidy dollars (i.e., taxes).

TOWN OF WESTPORT PARKS AND RECREATION DEPARTMENT SERVICE CATEGORIES

The development of categories which include *like* services are important when it comes to justifiable and equitable allocation of subsidy, cost recovery levels, and assignment of budget and general ledger lines to account for a category's fiscal performance (e.g., a service category such as *Beginner/Intermediate Programs* would include "like purpose" activities such as learn to swim classes, skating lessons, or beginner guitar regardless of age).

The benefits of this type of approach are two-fold. First, it is inefficient for the Department to determine cost recovery expectations by each individual service including facility, activity, or event. Secondly, categorizing by “type of service” or “likeness of service” discourages attempts to determine fees and charges (and therefore cost recovery decisions) based upon special interests, age-based services, or individual values.

The Town of Westport Parks and Recreation Department provides many services annually to the community. The following Service Categories represent the Department’s service menu and include Service Category definitions as well as example services.

Community Events – A one-time event or an event series that appeal to a broad portion of the community regardless of age, skill/ability, family composition, etc. *Examples include: Fireworks, Memorial Day Parade, etc.*

Competitive Level Activities - Structured recreational activities which are competitive in nature requiring a specific skill in order to participate. *Examples include: adult softball league, co-ed softball league, adult volleyball league, competitive swim, tennis tournaments, road runners, league play tennis, jr. tennis team, ladies tennis team, basketball league, etc.*

Education & Leisure Skills - Programs that focus on education, social skills, or other life skills development through classes, clinics, and structured opportunities. *Examples include: day camps, adaptive recreation, afterschool programs, etc.*

Monitored Access - Access to parks, park amenities, and/or recreation facilities which are overseen by staff and activity is self-directed by the user or participant. *Examples include: supervised open tennis play, adult indoor soccer, open gym basketball, indoor pickleball, tennis socials, open/lap swim, launch ramps, beaches, etc.*

Open Access - Access to parks, park amenities, and/or recreation facilities which does not include supervision or oversight by staff and activity is self-directed by the user or participant. *Examples include: tennis courts (other than Longshore Tennis Courts), basketball courts, volleyball courts, open pavilions, skate park, pickleball courts, playgrounds, open beaches, etc.*

Rentals - Space and facility reservations for exclusive use by an individual or group. *Examples include: boat slips, kayak/dry storage, beach lockers, Ned Dimes Marina Building, fields, third party food concessions, etc.*

Resales - Goods for purchase at various parks and/or recreation facilities. *Examples include: gas, oil, ice, tennis balls, etc.*

Skill Based Advanced/Private - Structured recreational activities or lessons that require registration and allow for development through instruction with the primary focus on advancing or mastering a skill. *Examples include: water polo, level 5&6 swim lessons, private lessons, etc.*

FINANCIAL SUSTAINABILITY STRATEGY CONTINUUM

The Town of Westport Parks and Recreation Department’s Financial Sustainability Strategy Continuum presents the degrees to which financial resources will be spent and expenses will be

recovered. It is grounded in the differentiation of park and recreation services on the basis of who benefits and who should pay. Economists have differentiated goods and services in the economy in this manner for decades and have designated three types of goods and services: community benefit, dual benefit, and individual benefit.

The Financial Sustainability Strategy Continuum acknowledges varying levels of service. This strategy shifts from philosophical underpinnings suggesting that all services should be provided at no or low cost for everyone to an equitable and just philosophy where subsidy allocation decisions are based upon “beneficiary of service”. In this conceptualization, each type of service has a set of specific characteristics that provide a rationale for who should pay (e.g., taxpayers, the individual, or both) and to what degree. Ultimately, this aligns subsidy allocation and cost recovery goals and expectations with beneficiary of service. Essentially, those who benefit from a service should pay for that service.

The three (3) year Town of Westport Parks and Recreation Department’s Financial Sustainability Strategy Continuum includes the Department’s Service Categories and realistic cost recovery/subsidy goals and expectations that align with current financial conditions. The continuum is a graphic representation of the Department’s tax use and revenue enhancement strategy. *Town of Westport Parks & Recreation Department’s Financial Sustainability Strategy Continuum 2021-2023 is included in Appendix A of this policy.*

UPDATING SUBSIDY INVESTMENT EXPECTATIONS

Service category cost recovery goals and targets should be reviewed and updated annually, and subsidy (tax dollar) investment goals should be reviewed, analyzed, and updated at least every three years or more frequently as necessary.

PRICING – DETERMINING FEES & CHARGES

Several pricing methods exist that will assist Department staff in establishing fees and charges. The principal method for establishing services fees will be cost recovery pricing which is defined as determining a fee based on established cost recovery goals.

Other pricing methods may be utilized by the Department, however, any strategy or method used will ultimately require that cost recovery goals or subsidy allocation expectations be met. Common alternative pricing methods include:

- *Market (demand-based) pricing* results in pricing based on demand for a service or what the target market is willing to pay for a service. The private and commercial sectors commonly utilize this strategy. One consideration for establishing a market rate fee is determined by identifying all providers of an identical service (i.e., private sector providers, other municipalities, etc.), and setting the highest fee. Another consideration is setting the fee at the highest level the market will bear.
- *Competitive pricing* established prices fee based on what similar service providers or close proximity competitors are charging for services. One consideration for establishing a

competitive fee is determined by identifying all providers of an identical or similar service (i.e., private sector providers, other municipalities, etc.), and setting the mid-point or lowest fee.

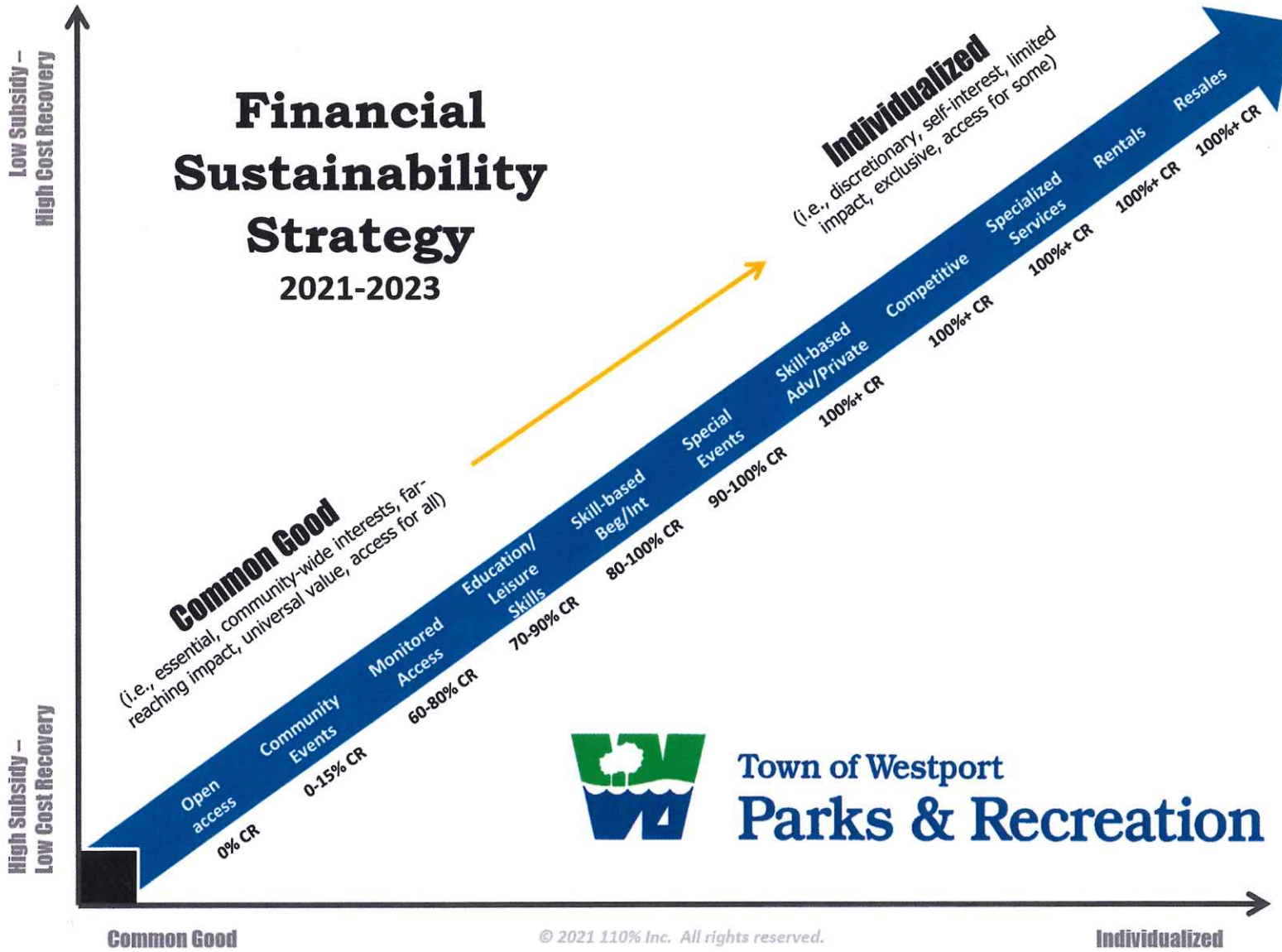
- *Value-based pricing* is a pricing strategy in which the price of a product or a service is decided on the basis of perceived value or benefit it can provide to a customer. Value based pricing is more evident in places or markets where exclusive products are offered which offer more value than the generic or standard products.
- *Penetration pricing* has the aim of attracting customers by offering lower prices on services. While many may use this technique to draw attention away from the competition, penetration pricing often results in lost revenue and higher subsidy requirements. Over time, however, an increased awareness of the service may drive revenues and help organizations differentiate themselves from others. After sufficiently penetrating a market, organizations should consider raising prices to better reflect the state of their position within the market.
- *Premium pricing* establishes prices higher than that of the competition. Premium pricing is often most effective in the early days of a service's life cycle, and ideal for organizations that offer unique services. Because customers need to perceive products and services as being worth a higher price tag, an organization must work hard to create a value perception.
- *Bundle pricing* allows for the sale of multiple services for a lower rate than customers would pay if they purchased each service individually. Bundling can be an effective way of selling services that are poor performers and can also increase the value perception in the eyes of customers - essentially giving them something for a reduced rate.
- *Differential/Dynamic pricing* follows the "law of demand" by supporting a key pricing principle: some customers are willing to pay more than others. Differential pricing is the strategy of selling the *same* service to *different* customers at *different* prices. Differential pricing enables organizations to "profit" from their customers' unique valuations (ex. Prime time or surge pricing).

In the event a Service Category's subsidy/cost recovery goal is higher than current cost recovery performance and fee increases are required, prices may need to be raised incrementally in accord with market acceptance to optimize revenue generation. However, if the market does not respond favorably to the increase, the service may require divestment if the subsidy investment required cannot be justified based upon beneficiary of service.

In the event a tax dollar investment/cost recovery goal is less than the current level of recovery the established fee will remain the same to ensure that there is no loss of revenue or negative impact on the Department's financial condition.

SUCCESS METRICS

Success metrics will be used by the Department to evaluate each services compliance with established cost recovery goals as well as operational efficiencies, and customer retention and satisfaction. *Success metrics are included in Appendix B of this policy.*



Town of Westport
Parks & Recreation

SUCCESS METRICS - Appendix B

Success Metric 1: Financial Viability: a service must meet its minimum tax dollar investment/ cost recovery goal as noted on the Financial Sustainability Strategy Continuum

Success Metric 2: Operational Efficiency: services should meet 75% or more of capacity (maximum) to ensure efficiency of resource investment

Success Metric 3: Participant/Customer Retention: overall participant (customer) satisfaction must meet a minimum of 85% satisfaction or higher

Addressing gaps between existing cost recovery performance and target (goals)

1. Analyze success metrics for services not meeting their cost recovery goal.
2. Analyze direct and indirect costs of providing service.
 - a. Measure ratio of direct and indirect cost.
 - b. Identify cost reduction opportunities and implement.
3. Suggest market increase commensurate with cost recovery goal.
 - a. Conduct market analysis of service.
 - b. Identify opportunities for capturing larger market.
4. Identify potential sponsorship, donation, or pay-it-forward opportunities.
5. Identify potential partnership opportunities to continue to provide a service, however, in collaboration with another provider, reducing impacts on and dilution of Department resources, avoiding unnecessary duplication of service, and responsibly utilizing finite taxpayer resources.
6. If services do not satisfy success metrics, consider divestment of service at end of a two-year strategy term or sooner.