



# CITY OF RAPID CITY

PARKS AND RECREATION DEPARTMENT  
300 SIXTH STREET  
RAPID CITY, SOUTH DAKOTA 57701

Date: February 17, 2010

Jerry W. Cole  
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To: Mayor Hanks and City Council

From: Jerry W. Cole, Director, Parks and Recreation Department

Jeri Taton  
Administrative Assistant  
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Subject: Cost Recovery Comparisons

Randy Lyons  
Landscape Designer  
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**Summary:** The City Council has requested information comparing Rapid City Parks and Recreation Department with other Departments around the region on the amount of cost recovery for programs and facilities. Attached please find those comparisons.

**Recommendation: Acknowledge the report.**

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Parks & Cemetery  
Manager  
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**Analysis/Background:**

Cost recovery for City parks and recreation programs and facilities means different things to different communities. Rarely is one community figuring cost recovery the same as another community, if they figure it at all. Our research into other communities identified that the cost of delivering programs and cost recovery rates vary depending on the city, district, service delivery model, facility size and historical pricing trends. It also makes a big difference whether or not a community was using direct costs and/or indirect costs in their cost recovery model.

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Recreation Manager  
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Staff also found it difficult to compare the programs and facilities of one community to another as some communities have single facilities which include ice, recreation and aquatic budgets with three division costs included, and another community might have several different facilities and divisions which are all figured separately.

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Aquatics Manager  
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Since 2004, the Department has been examining pricing and cost recovery issues. Parks and Recreation staff came together back in 2004/05 with representatives of the Recreation, Aquatic, Ice and Golf Divisions. The members of the Staff Team began work on addressing issues related to cost recovery and subsidy philosophies pertinent to the city and its residents, embarking on a journey of philosophical exploration and consensus building.

The staff identified typical direct and indirect costs associated with providing programs and services, (see below) and defined various fees and participant categories. They defined these terms specifically relative to the Rapid City Recreation services with associated target cost recovery ranges.

Cost recovery for Rapid City refers to that amount of revenue that the Recreation, Ice, Aquatics and Golf Services takes in from fees, charges and alternative funding in proportion to operational expenditures. We looked at three different cost recovery models. For figuring program cost recovery we figured in the revenue minus the direct expenditure of the program. (i.e. cost for instructor and any class related items.) For facility we figure direct expenses plus 1st level indirect expenses. (i.e. coordinators, supplies, maintenance personnel etc.). For 2nd level budget cost recovery we figure all revenues for that division or area and all expenditures associated with that budget. (i.e. supervisors, fleet maintenance, capital building and equipment costs, etc.)

Cost recovery goals have been identified by the staff for each level of programming to assist in future planning and determination of appropriate pricing. It is not anticipated that each program and service in a designated level will reach their goals; some may exceed and some may fall short. The overall cost recovery for all programs and services in a given level should, however, meet or exceed the assigned goal. Averages range from zero cost recovery (or free) for those programs and services in the base community level, to direct cost recovery of 100 percent and greater for the highly individual level, such as sale of merchandise and adult sports.

#### **Cost Recovery Definitions:**

**Direct Costs include but are not limited to:** all the specific, identifiable variable expenses directly associated with providing a service or program. These expenses include, but are not limited to, wages and benefits of program-related staff, contracted services, rental of facilities, equipment, purchased equipment and supplies - all directly related to the program/service.

**Indirect Costs (Level I) include but are not limited:** overhead including the program coordinators, maintenance personnel and some maintenance costs of the building, as well as contractual services where appropriate.

**Indirect Costs (Level II) include:** the entire division budget including administration (specialists and managers, and maintenance costs of the building, funding debt service (when it is part of the cost of providing a service), capital improvements and contractual services, as appropriate.

<b>Recreation</b>		
City	Recovery - Direct	Recovery - Direct & Indirect Level I & II
Brookings	89%	48%
Mitchell	79%	43%
Sioux Falls	33%	23%
Aberdeen	74%	46%
Dickinson, ND	92%	63%
Bismarck	80%	56%
Apple Valley, CA	51%	N/A
City of Durango	80%	66%
<b>RAPID CITY</b>	<b>103%</b>	<b>54%</b>
<b>Aquatics</b>		
City	Recovery - Direct	Recovery - Direct & Indirect Level I & II
Brookings	69%	49%
Mitchell	69%	58%
Sioux Falls	49%	36%
Aberdeen	105%	79%
Dickinson, ND	97%	83%
Bismarck	70%	49%
Apple Valley, CA	N/A	42%
<b>RC SWIM CENTER</b>	<b>133%</b>	<b>56%</b>
<b>Ice</b>		
City	Recovery - Direct	Recovery - Direct & Indirect Level I & II
Brookings	23%	18%
Mitchell	55%	41%
Sioux Falls	N/A	City does not operate
Aberdeen	N/A	City does not operate
Dickinson, ND	69%	43%
Bismarck	95%	56%
Postsdam, NY	N/A	24%
<b>RAPID CITY</b>	<b>150%</b>	<b>56%</b>