



MEMORANDUM

DATE: January 21, 2020

TO: Honorable Mayor and City Councilmembers
Dave Perrault, City Administrator

FROM: Sara Knoll, Parks and Recreation Coordinator
Todd Blomstrom, Interim Public Works Director / City Engineer
Gayle Bauman, Finance Director

SUBJECT: Recreation Programs Review

Budgeted Amount:	Actual Amount:	Funding Source:
N/A	N/A	N/A

For Council Consideration

City staff was requested to provide information on the City’s recreation programs related to the percentage of costs being covered by revenues. This memorandum describes program revenue and expenses over the past 12 years, an initial comparison of recreation programs in other cities, and an analysis of specific recreation programs provided in 2018.

Background

Attachment A provides a summary of the revenues and expenditures for programs offered at Arden Hills for the years 2007-2018. Program revenue has generally covered a majority of “Direct Costs” for programs, consisting of temporary employees, supplies, materials, services and charges (second row from bottom). However, revenues have not covered total program costs, which consists of direct costs plus administration personnel (bottom row percentage). The highest total cost coverage ratio is 52.7% which occurred in 2011, with the average total cost coverage ratio being 46.3%.

During our examination of historical records, it was noted that up until 2007 the City was able to use a portion of its charitable gambling funds to cover some of the recreation costs. It was also noted in a 2001 memo, that the formula being used to justify programs was that the revenues collected needed to cover direct program costs plus 40% of overhead costs. With the loss of charitable gambling revenue, the current goal is for revenue to cover direct program costs with property taxes covering the overhead costs (administration personnel).

In 2018, the City offered new active adult activities as part of the recreation program offerings. New programs take time to grow and become established within our community and it should be noted that the city fell slightly short of the goal of covering all of its direct programming costs. The city ended up at 93.1% for 2018, or \$8,076 short of its goal. If it is determined that a program is not meeting costs after its first year, staff reevaluates the need for the program and would discuss not offering the class in the future, allowing an additional year for the class to develop, or determining if the community value exceeds the revenue deficit for the class.

New and existing recreation programs are evaluated each year to support the park and recreation mission of serving the people of Arden Hills by providing a comprehensive, well maintained system of parks, trails, facilities and open spaces, and a balanced, well organized program of affordable recreational activities.

City staff also requested information from eight cities regarding their recreation programs, including the cities of Columbia Heights, Forest Lake, Fridley, Lino Lakes, Little Canada, Mendota Heights, Spring Lake Park and Willmar. The method used to account for recreation programs differs from city to city. In order to achieve the accurate comparison to other cities, we reviewed the responses received and the financial information available on their website.

Attachment B is a summary of the comparable data with year-end totals for 2018, based on three of the cities that responded to staff's request for information and provided data could be verified with available budget information. Recreational activities that are provided through cities are typically subsidized to some extent, usually by property taxes. Staff can pursue additional comparison data if the City Council wishes to collect more data.

Attachment C provides a summary of specific programs offered throughout 2018 by the City of Arden Hills. Participation counts, expenses and revenues are provided on the attachment.

Staff is seeking direction from the council regarding the current goal of revenue covering direct program costs and property taxes covering the overhead costs (administration personnel). If the council is seeking a goal different than this, staff can come back with alternatives to meet that goal.

Budget Impact

N/A

Attachments

- A. 2007 – 2018 revenues and expenditures for Recreation Programs
- B. Comparison to other cities for 2018
- C. Detailed breakdown of Arden Hills for 2018