

## **Balancing Community Needs with the Financial Realities**

As the update to the City of Boulder’s Parks & Recreation Master Plan is nearing completion, it is clear that balancing the needs of the community with the financial realities of the city will be of paramount importance if the goals of the master plan are to be successfully implemented.

### **Master Plan Themes**

The following are the identified themes for the update to the master plan that impact community needs and finances.

1. Community Health & Wellness
2. Taking Care of What We Have
3. Financial Sustainability
4. Building Community Relationships
5. Youth Engagement & Activity
6. Organizational Readiness
7. Equity & Resilience

Of these goals, Community Health & Wellness, Building Community Relationships, Youth Engagement & Activity, and Equity & Resilience are front facing initiatives that require an ongoing commitment of time and resources to accomplish.

On the other side, Taking Care of What We Have, Financial Sustainability and Organizational Readiness are the City’s back of the house commitment to ensuring that parks and recreation facilities and services can continue to be provided.

These themes strike at the heart of the balance question between needs and resources.

### **Existing Issues**

BPR is currently dealing with a significant number of issues that impact the delivery of parks and recreation facilities and programs in the future. The pandemic has exacerbated many of these issues. The material for this section was derived from information included in the draft master plan update document and additional back-up data provided by BPR.

#### *Continuing to Serve a Growing Market*

- Boulder’s population in 2020 was 108,091 (including CU students). The population is projected to grow to 123,000 by 2040.
- Boulder County’s senior population (age 60+) is expected to nearly double to 28% of the total population by 2040.
- There will be a significant increase in the Latinx community in the city from 10% in 2019 to potentially just over 30% by 2040 (based on state wide projections).
- The population of the northern Front Range is also projected to grow at a fast pace during this time period.

- While the primary focus of BPR is to serve the residents of Boulder, non-residents make up approximately 25% of program and facility users.
- The growing market will result in an increasing demand for recreation facilities, programs and services. The overall population increase in Boulder will require a greater capacity for services as well as additional specific services focused on seniors and the Latinx community. This will likely require additional funding to meet these needs.

Note: The demographic information was derived from the 2021 Needs Assessment Report as part of the Boulder Parks and Recreation Master Plan Update.

*Providing a Full complement of Recreation Amenities*

- BPR manages a wide range and quantity of facilities.



### Offering a Full Complement of Recreation Programs

- BPR offers a wide range of recreation programs with strong enrollment numbers, even with an overall decline in participation since 2017.

Program Area	2017	2018	2019	2020* COVID
Aquatics	2,551	2,843	2,748	786
EXPAND	2,359	2,211	2,341	1,575
Facilities	242	167	177	133
Gymnastics	4,961	4,023	2,499	1,131
Health and Wellness	885	1,019	955	315
Mind Body	1,066	1,218	1,024	279
Partnership Programs**				53
Special Events***	242	167	177	154
Sports	2,222	2,104	2,214	920
YSI****	2,825	3,240	2,668	639
<b>Grand Total</b>	<b>17,353</b>	<b>16,992</b>	<b>14,803</b>	<b>5,985</b>

*\*2020 enrollment numbers are not representative of an average year for BPR programs and services. They were heavily impacted by COVID-19 and subsequent state requirements and public concern relating to the pandemic.*

*\*\* Partnership program enrollment data is managed outside of BPRs enrollment system. Program managers and partners can be called on to help collect this if needed.*

*\*\*\*It is interesting to note that 2020 Special Events (Facilities and Special Interest Programs in table above) enrollment was higher than any of the previous three years – coming in at 287.*

*\*\*\*\*YSI offers after-school and summer programs to youth (6-18) living in low-income housing. The initiative also offers special events and trips.*

- BPR contracts out youth sports, tennis, dance, and some summer camp programs.

### Dealing with Increasing Operations Costs

- Staffing costs continue to increase with a commitment to pay a living wage for full-time as well as part-time positions. The impact of minimum wage increases and the need to attract and retain good employees has also affected costs. The average annual growth rate in staffing costs for the next 5 years is projected to be 5%. Staffing is the greatest operational cost for BPR as well as most all parks and recreation agencies.
- Utility costs have also continued to increase especially in the last two to three years. This has a significant impact on BPR’s operations budget. The average annual growth rate in overall operating costs (minus staffing) for the next 5 years is projected to be 4%.
- Goods and service costs have seen a dramatic impact in the last few years due in part to the pandemic and this is projected to continue for the next couple of years at a minimum of 4% per year if not higher.

- BPR is also assessed interdepartmental charges for services that saw large increases from 2016 through 2019. However, charges have dropped sharply in 2020 and 2021 due to the pandemic and lower budget numbers. It is projected that these charges will grow by 3% per year for the next 5 years.
- It is recognized that the pandemic had an impact on certain operating costs in 2020 and 2021. While costs were showing a steady increase until 2020, with the pandemic overall costs have declined due to reduced programs and services as well as the limited operation of facilities. However, post pandemic BPR will need to be prepared for significant increases in operating costs again. This will need to be matched with the realization that revenues are only projected to increase by 2% to 3% for the next five years.

#### *Funding Increased Capital Replacement Costs*

- BPR utilizes an Asset Management Plan to track parks and recreation assets and estimate capital replacement value (CRV).
  - In 2021 BPR had a CRV value of \$298,476,655.
  - Based on spending 2-3% of CRV annually on capital repairs and replacement, BPR has as an estimated total maintenance backlog of \$20,579,515. BPR currently expends \$5.6 million annually for this purpose leaving it \$1.9 million short.
  - There are also approximately \$177,935,000 in unfunded capital projects.
  - Operations and maintenance or preventative maintenance funding should be 4% of the CRV annually or \$11.9 million and is only being funded at \$8.6 million annually resulting in a shortfall of \$3.3 million.
  - The city's Urban Forestry Strategic Plan indicates the urban tree canopy is also an asset but since it has an appreciating value, it was not included in the backlog of operations and maintenance calculations above. The required funding for maintaining the urban tree canopy is not in place.

#### *Stagnant Earned Revenues*

- BPR has strong service delivery and fee policies in place.
  - Service Costing Methodology is detailed out.
  - Service Delivery Framework modeling is in place to determine what programs should be offered and how they are best provided.
  - Program Prioritization, Subsidization, and Cost Recovery (RPI) guides programming efforts and the calculation of the rate of cost recovery.
  - The cost recovery level for recreation programs increased from an average of 82% from 2007-2011 to 92% from 2017-2019.
- There have been issues with pricing some services beyond what the market will bear.
- Despite these policies there is still a negative gap between yearly program revenues and expenditures. As a result, BPR will need to consider some or all of these options:
  - Increased program fees
  - Increased program subsidy
  - Adjusting service levels
- Grants have helped with funding for a number of services including:
  - Facility Access

- EXPAND/Inclusion
- Sports
- Youth Sports Initiative
- Financial aid is available through general fund subsidy and partially supported through an annual competitive grant from the Health Equity Fund, as the Recquity program. These sources fund facility access (up to 100% of fee) and 50% of program fees. Additionally, BPR accepts the PLAY Boulder Foundation's PLAYpass, which provides low-income youth with \$250 program credit annually towards reduced fees."
- In 2019, \$96,392 in financial aid for parks and recreation programs was delivered in the following manner:
  - Age groups were rather evenly split on receiving aid with the exception of Older Adults (seniors) who received aid primarily through third-party payers.

Age Group	Percentage of Aid
Adults	30.5%
Children	35.6%
Older Adults	3.0%
Teenagers	30.9%

- Financial aid was distributed to programs in the following areas. The EXPAND program (recreation for people with disabilities) was the greatest recipient of aid followed by Youth Services Initiative and Gymnastics.

Program Division	Percentage of Aid
Aquatics	7.6%
EXPAND	50.1%
Gymnastics	17.8%
Health & Wellness	1.5%
Mind & Body	1.8%
Sports	2.0%
Youth Services Initiative	18.1%

- 82% of the financial aid was given to residents of Boulder and the balance went primarily to people living in communities in close proximity to the city.
- In addition to recreation program aid, in 2019 a total of \$430,496 in subsidy was provided for entry to BPR facilities and for courses provided at those locations (\$50,561 of the total). Membership age categories by percentage were primarily families.

Age Group	Percentage of Aid
Adults	11.2%
Senior	14.6%
Family	71.3%

- It is estimated that up to 90% of older adult (senior) programming is paid through a third-party payer. This includes Silver Sneakers, Silver & Fit and New Active. Insurance reimburses BPR at a standard rate per visit, but this is a discounted rate over

the stated user fees. However, a major portion of this market would likely not be participating in BPR programs or facilities without these services.

- The city offers a Wellness Pass to employees to utilize BPR facilities and programs at a reduced rate. There is reimbursement to BPR for the value of the pass built into the General Fund subsidy to the RAF but at a reduced rate from the established fees.

*Funding Sources*

- BPR utilizes a number of sources for funding operations and capital projects. In 2021 the total BPR budget was \$29,936,362. Funding sources include:

Source	Funding %	Description
General Fund	15%	A blend of taxes that supports overall city operations
Recreation Activity Fund (RAF)	37%	A special revenue fund from user fees, grants, donations, and general fund transfers
.25 Cent Sales Tax Fund	30%	A voter approved sales tax that supports operations, maintenance, and capital improvements
Permanent Parks & Rec. Fund	13%	A permanent earmark of property tax revenues for capital projects
Lottery Fund	2%	A portion of the city's allocation of state lottery funds for capital and maintenance of recreation amenities

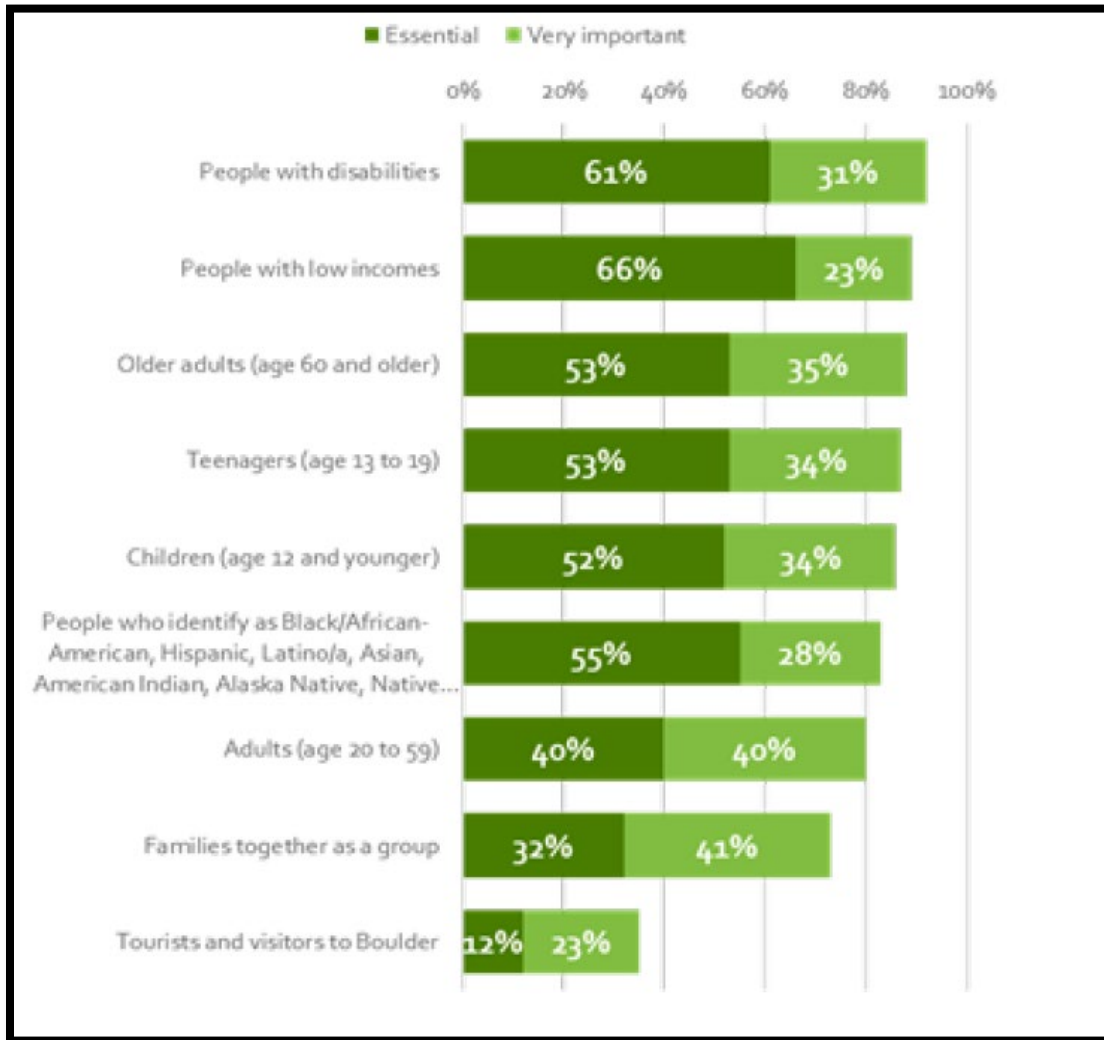
Note: The Capital Development Fund makes up the balance of the funding percentage.

- BPR is currently utilizing these available resources to their full capability. Over the last 5 years funding levels have remained mostly flat.
- Future funding from these sources is projected to increase only slightly for the next five years with annual growth projected to be 2.8%.
- BPR utilizes an extensive number of partnerships for programs and services.

## Community Input

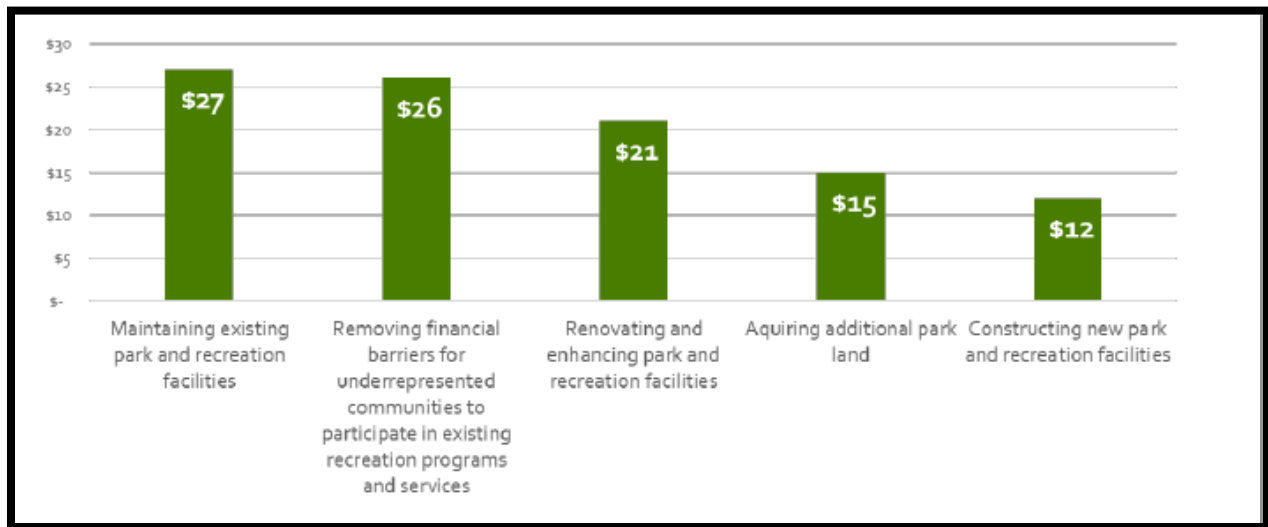
Community members were given the opportunity to respond to a survey to guide the master plan process. The following are some of the key findings from the survey instrument.

### *Population Groups and the Importance of Providing Programming for Each*



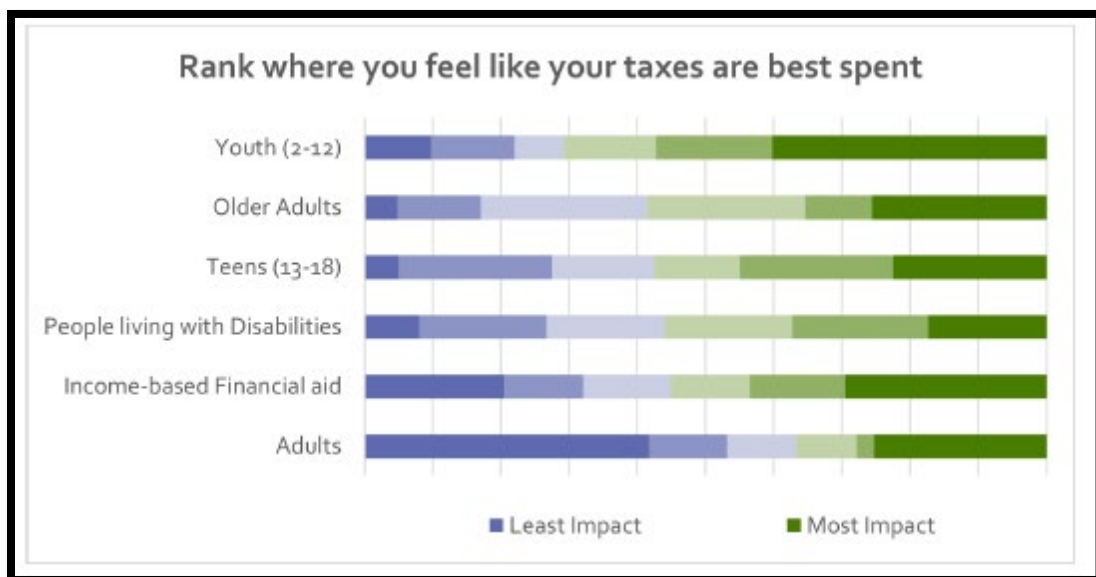
This response indicates the importance of providing programs for population groups that traditionally have lower fees and consequently contribute to a lower rate of cost recovery.

*Given the Opportunity to Allocate \$100 Tax Dollars, the Following Were the Priorities*



Clearly the priority is on maintaining and renovating existing facilities and removing financial barriers to participation in existing programs and services, over adding park land or constructing new facilities.

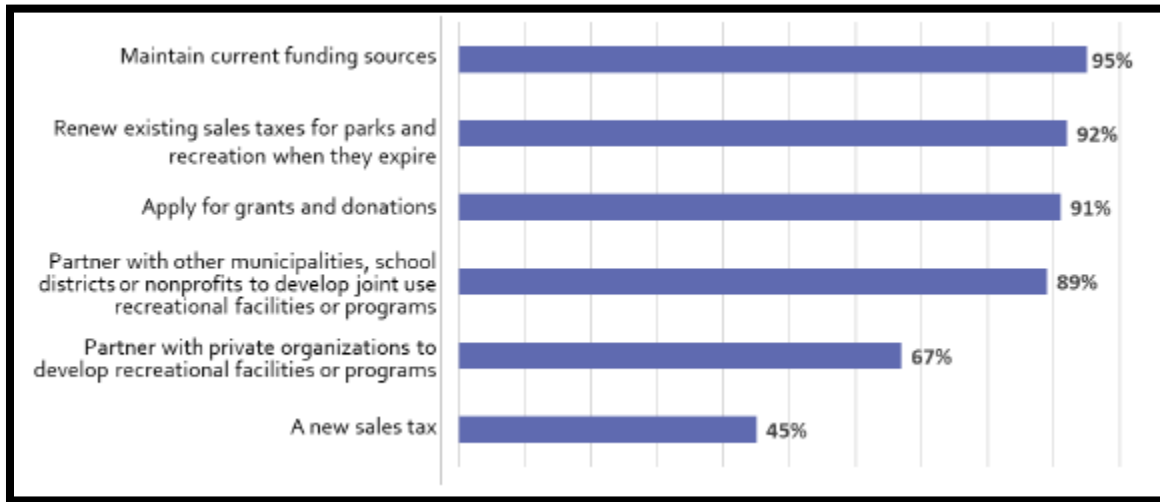
*Impact of Spending Tax Dollars for Various Groups in the Community*



Respondents believe that their tax dollars would be best spent on youth/teens and seniors with the lowest impact being on adults.



*Support for BPR Funding Options*



For funding, the preferred options are clearly continuing to rely on existing sources with minimal support for a new sales tax.

**Benchmark Comparisons**

Boulder information and data on operations was provided by BPR and compared with the National Recreation and Park Association through their annual Agency Performance Review data.

*Comparisons with 2019 NRPA Agency Performance Review Data*

Measure	National	National Population 65,000-175,000	Colorado Population 65,000-175,000	Boulder
FTEs per 10,000 Residents	8.5	10.2	22.1	22.2
Operating Expenditures per Capita	\$87	\$101	\$216	\$216
Revenue per Capita	\$26	\$36	\$93	\$104
Revenue/Expenditure (cost recovery)	28.7%	29.1%	42.2%	48.4%
Tax Expenditures per Capita	\$59	\$62	\$92	\$111
Operating Expenditures per FTE	\$97,508	\$102,050	\$95,647	\$97,394

*How Boulder Compares*

- BPR has performance data that is very similar to other agencies in Colorado with comparable sized populations with the following exceptions:

- Revenue per capita is 12% higher. This is due in part to the strong emphasis on revenue production.
- The cost recovery level is 15% higher. This is the result of more aggressive cost recovery standards that were instituted after the 2008-2009 Great Recession.
- The rate of tax expenditures per capita is approximately 20% higher. This is due to increased staffing costs (livable wage), greater levels of maintenance, a commitment to environmentally sustainable practices, and the higher cost for goods and services.

It is important to realize that Colorado’s performance data metrics are much higher than the national numbers.

- Other 2019 NRPA national benchmark information includes:
  - For a typical agency staffing costs make up 54% of an operating budget but for BPR it is 64%. BPR has higher staffing expenditures due to the number and diversity of parks and recreation facilities that are operated and maintained and the higher market rates of compensation of employees.
  - For a typical agency 44% of the operations budget is for parks and 43% is for recreation, while 13% is for other. For BPR, 38% is for parks and 44% is for recreation and 18% is for other. The “other” category is higher for BPR due to administrative costs, community outreach, volunteers, partnerships, planning and interdepartmental charges.
  - Typical agencies derive 60% of their operating expenditures from general fund tax support while BPR is only 19%. Earned income is 24% of most agencies’ funding but for BPR it is 45%. Dedicated levies are 11% of most agencies’ budgets but for BPR it is 30%. With BPR’s commitment to generating higher levels of earned income and the ability to pull funding from dedicated levies, the reliance on the general fund is much lower.

## **Moving Forward**

### *Operations Philosophy*

- Balancing need with funding is a common issue for most communities as they determine the future direction for parks and recreation facilities and services. The impacts of the pandemic have only made this more difficult.
- BPR has an outstanding operational foundation and history of providing parks and recreation services to the community. This includes a strong staff, a variety of facilities, and great programs, which is backed up with very strong financial policies and performance data to help make decisions. This is a step ahead of most departments nationally and allows for well thought out decisions to be made.
- It is likely that BPR will need to further prioritize its allocation of resources for parks, facilities, as well as programs and services, with a recognition that it is probably not financially viable to do all the traditional as well as new services that are being requested by the public. Many larger parks and recreation agencies are working through this

difficult process that requires extensive planning, public input, and staff time to accomplish. The implementation process often requires 5 years or more.

- BPR is currently a regional provider of parks and recreation services with a significant percentage of users being non-Boulder residents. The future role of BPR in offering services to non-residents will need to be determined along with the effect on fees (increasing non-resident fees, demand pricing, etc.) and operating budgets. For communities that have more of a regional focus, there has been a re-evaluation of the need and financial impact of taking on this responsibility. There has been a movement toward having counties start to pay cities for use by their residents when they are in unincorporated areas.
- Community partnerships are an important area of emphasis for BPR and allows for a broader range of services to be delivered to the community. In the future there will need to be an increased focus on partnerships if facilities and services are going to grow. Partnerships have a much larger role in parks and recreation agencies across the country but doing this well requires a willing and competent partner, a positive cost/benefit analysis, clear policies, and a detailed partnership agreement to be in place. This all takes time, staff, and money to accomplish.
- Any significant change to the method, types, or quantity of parks and recreation services that will be provided in the future will require continued public input and discussion if these efforts are going to be successful.

### *Funding*

- BPR has a very diversified funding plan that has a low reliance on the city's general fund compared to most communities. The Department has a high rate of earned income, and several sources of dedicated funding for certain aspects of operations as well as capital improvements.
- It should not be expected that BPR will be able to lower its reliance on the general fund below its current level and the need to increase services for certain groups of the population (youth, teens, seniors, lower income, and people with disabilities) could likely require an increase from this funding source and/or outside funding from other organizations.
- Despite the low reliance on general fund tax dollars, the ability to generate additional dollars from earned income will be difficult with fees and charges for many services that are perceived as being high for the market and contributing to reduced participation from some segments of the community (hence the need for an increase in financial aid administered through a sliding scale). BPR has a very high cost recovery rate compared to most agencies as many have not focused on this aspect of funding or maximized the potential for earned income. However, it is unrealistic to expect much of any increase in the current cost recovery rate in the future due primarily to higher staffing and operations costs.

- Even though BPR has a number of dedicated tax funding sources, there are limitations on how these funds can be used that can result in less flexibility in how dollars are utilized for parks and recreation in general. With the level of funding from these sources this directs a sizeable portion of the operating budget to certain uses. Having dedicated tax funding sources in place is still not common for most parks and recreation agencies but is an area that is receiving increased emphasis by agencies as a way to guarantee funding sources and levels.
- BPR has actively pursued grant opportunities for a variety of parks and recreation services and this needs to continue. Increasingly, larger departments are employing a fulltime staff person(s) who's primary job is to pursue grant opportunities.

### *Operations Budgets*

- BPR has strong management and budgeting practices in place that allows for the effective utilization of financial resources as well as tracking of expenditures and revenues. Industry best practices have reinforced the importance of having comprehensive budgeting policies and practices in place.
- BPR has a well detailed service delivery and fee policy in place. However, simplifying these policies and methodologies would be helpful. Many agencies do have similar policies, but they are generally much more streamlined.
- Integrating additional cost center accounting into the budgeting process will help BPR define the actual cost of operation and management of not only programs but also individual facilities and parks. There is a strong movement in public agencies to adopt this form of budgeting to better define the true cost of service for individual programs and facilities.
- Contracting for more and more programming, operations and maintenance services has become a definite trend with public parks and recreation agencies. However, this has not always been the most cost-effective approach, has at times resulted in inconsistent services, and requires on-going monitoring with strong contracts. BPR should continue to complete a cost/benefit analysis for possible additional contract opportunities in the future.
- BPR should continue to provide opportunities for financial aid for those that have limited ability to pay, however this is currently being done at a high rate which may be more difficult to sustain in the future. The aid should continue to be for both facility admissions as well as programs and services. It should include internal department-based aid (Recquity) as well as external aid through PLAY Boulder Foundation and the Health Equity Fund. Establishing consistent policies and benefits from all sources will be important. The cost of providing internal aid should be budgeted and tracked on an annual basis. There should also be some level of payment for services required from the recipient (sliding scale based on income) as well as a maximum level of benefit per

person per year. BPR does have a maximum level of benefit for its program, but external providers do not. The question of providing financial aid to non-residents should also be examined. Most agencies have some form of financial aid or scholarship, but programs vary widely as do the requirements. There has been a strong effort to have these programs funded by outside organizations rather than through the department's budget. BPR's commitment to financial aid is at a very high rate compared to other communities and managing this process from administration to actual funding will be important for the future. This will require consistent funding sources that support financial aid on a multi-year basis.

- Reducing budgets in any significant manner will require that staffing levels be lowered, and operational costs related to utilities minimized. This is a major challenge as the potential loss of staff directly impacts the level of service and lowering utility costs usually requires capital investment for more efficient systems. During the Great Recession of 2007-2008, and the pandemic, agencies were forced to reduce staff, this often occurred with administrative staff or was associated with a reduction in programming or facilities.
- With a greater emphasis on controlling staffing costs, parks and recreation agencies have become much more reliant on the use of volunteers for select programs and facility operations. This has resulted in some challenges maintaining a consistent level of available volunteers, defining appropriate roles, completing background checks, and training. Having an effective volunteer program requires one or more fulltime staff to manage and coordinate the program. BPR has made great use of volunteers up this point (2,424 volunteers contributing 19,130 hours in the last five years) and this will need to continue to grow in the future.
- The BPR budget has a line item for interdepartmental charges which grew substantially from 2016 through 2019 and then saw a significant reduction in 2020 and 2021 due to the pandemic. More and more cities (especially those in larger communities) are saddling parks and recreation budgets with these charges which are calculated by others with no ability for a department to manage. Some agencies do not include these charges in their cost of service or cost recovery calculations.
- BPR should track the annual costs of providing any services for other city departments when these do not directly relate to the department's mission.

### *Capital Budgets*

- The public has clearly indicated that they want to see BPR take care of what they have with less emphasis on new parks and facilities. This is a very common refrain from most communities these days and has become the focus of most capital funding efforts.
- BPR has a very strong Asset Management Plan that is based on a capital replacement value for all the assets. This identifies the yearly spending that is required (2% to 3% of the CRV) to handle capital replacement and repairs. While most agencies have a list of

deferred maintenance items as well as a robust CIP budget, relatively few have a comprehensive asset management system on the level of BPR. At times this results in facilities that are not well maintained or simply can no longer meet the needs of the community.

- Based on the Asset Management Plan the amount of money being spent of O&M as well as capital repair and replacement needs to be increased to the industry standards noted above. While the goal is notable, most agencies simply do not have the ability to even cover their deferred maintenance issues with on-going funding sources. They either prioritize needs or have a bond issue to fund the bulk of the concerns.

### *Recreation Programs and Services*

- BPR should continue to utilize the Service Delivery model to determine how best to provide recreation programs and services to the community. This needs to emphasize:
  - Programs that are best provided by in-house staff.
  - Programs that are more appropriate for contract providers but still utilize city facilities.
  - Programs that are the sole responsibility of other providers or organizations. These could be taking place at city facilities or at locations that are owned by other organizations.

Although not yet common, this approach to providing programs is gaining more support by other agencies with the realization that public parks and recreation departments cannot be the sole provider of all activities.

- BPR should continue to explore additional partnerships with other communities in the area to provide a regional approach to providing certain specialized services such as special needs and some youth services. This will require clear funding and operations agreements as well as staff time to put in place and monitor. There has to be a recognition that partnerships are often difficult to establish and manage and are not always successful. Establishing partnerships for recreation programming is now a standard method for expanding services, especially with limited budgets.
- BPR needs to continue to emphasize the tracking of program metrics while adding a metric that indicates programming provided by age and population categories. Having more robust program metrics is a definite trend among parks and recreation agencies.

### *Parks and Recreation Facilities*

- With the public indicating a lower priority for developing new amenities and a greater emphasis on maintaining existing facilities, the need to maximize the use of current facilities becomes paramount. BPR's Asset Management Plan deals with many of the physical plant issues. However, functional obsolescence is also a concern and increasingly agencies are conducting an assessment of existing parks and recreation

facilities ability to meet department and community recreation uses and needs. From this facility updates and renovation priorities are developed.

- To ensure facilities are being utilized to their full potential the following tasks are often completed:
  - A capacity analysis is completed to determine not only the carrying capacity of an amenity (this is especially true for athletic fields) but also the current rate of utilization measured against the capacity.
  - Establishing clear priorities of use for facilities in general as well as specific spaces or amenities. This helps with potential over use issues as well as underutilization.
- With operational budget concerns, agencies have begun to look at either having contract management of existing facilities or the outright lease (usually at below market rates) of facilities to other organizations. However, the city or district is still the owner, has certain maintenance responsibilities as well as capital replacement, and has limited input into the specific services that are offered.
- Since the focus for BPR will be on maintaining existing facilities, the priority for developing new facilities will be low. If there are to be any new facilities the approach is likely to include:
  - Reliance on other providers to be the owners and operators with possible low-cost ground leases on city property.
  - Equity partnerships with non-profit and public sector organizations to assist with the development of facilities.

This approach has been utilized by other public agencies with varying levels of success. The strength of the agreement, the level of financial contribution, and the goals of the partnering entity can impact the outcome.

- If there is an interest in adding new facilities, the focus should be on those that have the ability to generate levels of income above the direct cost of operation (high cost recovery). As an example, these could include event centers and outdoor adventure park or ropes courses. There are opportunities to have equity partners build and operate these facilities with low ground leases while still paying a significant annual rate of revenue to the city based on a percentage of gross proceeds. These P3 arrangements are starting to be more prevalent with parks and recreation agencies across the country.