

## MEMORANDUM

**TO:** Claire Powell, City Manager

**FROM:** Stacie Anaya, Parks and Recreation Director  
Jose Marines, Administrative Analyst

**DATE:** November 4, 2024

**SUBJECT: Financial Support and Sustainability Strategy Update Recommendations**

### BACKGROUND

In 2018 the City hired 110% Inc to lead discussions with staff, elected officials and stakeholders to create a fiscal management philosophy and establish a cost recovery model for all parks, recreation and cultural programs and services. The process included:

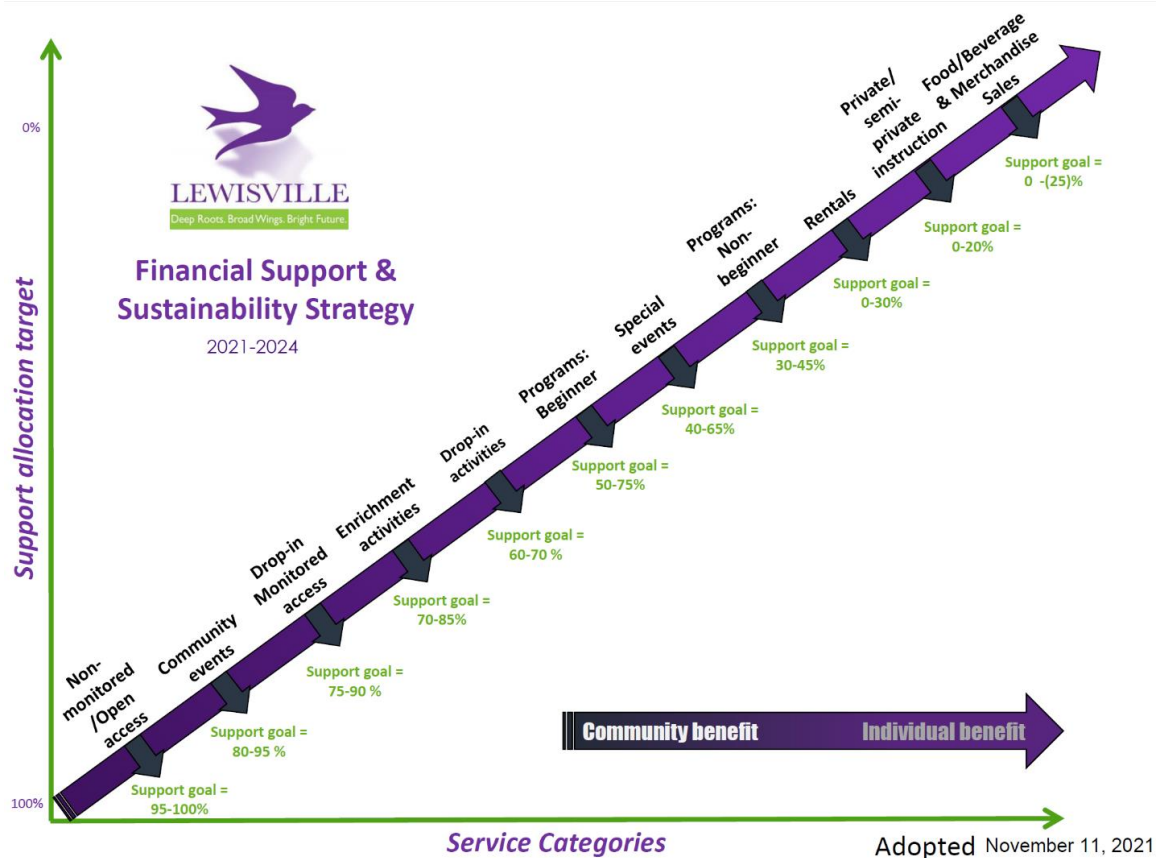
- An analysis of existing organizational values and purpose and their alignment with fiscal policies
- Systematic examination of internal and external environments that impact the organization's capacity to operate
- Identification of key issues and opportunities to which the organization should dedicate efforts and resources to create the greatest impact
- Creation of a cost recovery and financial support model for programs and services.

Sessions to discuss the process and learn more about emerging philosophies for creating financial management strategies in the parks and recreation industry were held with staff, stakeholders, City Council, the 2025 Committee and the Parks & Recreation Advisory Board (PRAB). Through the process the team defined the terms individual benefit and community benefit for the City of Lewisville. and finalized a list of 11 service categories that encompass all the programs, services and activities offered by each department. These service categories are not labeled by age of participant or type of program but rather encompass the level of staff involvement for providing the program and scope of access or participation by the community. Table A below provides a listing of the service categories, their respective definitions and examples of current programs that fall in each category.

<b>Service Category</b>	<b>Definition</b>	<b>Example</b>	<b>Support Goal</b>	<b>Cost Recovery Goal</b>
<b>Non-Monitored/Open Access</b>	Facilities and public places to which the public has open access and is not under the supervision or oversight of staff or volunteers.	<i>Parks, trails, disc golf</i>	95-100%	0-5%
<b>Community Events</b>	Events that are typically large in scale and attendance and are open to anyone in the community. Pre-registration is not typically required.	<i>Western Days, Spooktacular, Funny Bunny</i>	80-95%	5-20%

<b>Drop-In Monitored Access</b>	Facilities and public places to which the public has limited access and is under the general supervisor or oversight of staff and/or volunteers	<i>general swim, open gym,</i>	75-90%	10-25%
<b>Enrichment Activities</b>	Structured activities designed for attainment of knowledge, self-betterment, self-sufficiency and/or socialization. Registration may be required.	<i>LLELA Night Hike, Stars on the Prairie, 50+ Trips</i>	70-85%	15-30%
<b>Drop-In Activities</b>	Structured programs that are led by staff, volunteers and/or contract instructors. Pre-registration is not required and participant may choose their frequency of attendance.	<i>Senior Walking programs, Bingo, baseline fitness classes, Pilates in the Plaza</i>	60-75%	25-40%
<b>Programs: Beginner</b>	Classes/courses where a specific skill is learned or practiced over multiple meetings to build upon a skill with a measurable outcome. These services require little to no experience in order to participate. Registration may be required.	<i>dance, learn to swim, learn to sew</i>	50-75%	25-50%
<b>Special Events</b>	Events that are specific to a target market and may require pre-registration.	<i>Daddy Daughter Dance, Doggie Dive In, Texas Tunes</i>	40-65%	35-60%
<b>Programs: Non-beginner</b>	Classes/courses where an advanced skill or practice is learned over multiple meetings to build upon a specific skill with a measurable outcome. A pre-requisite, previous experience or exposure to the activity is necessary in order to participate. Registration is required.	<i>competitive swim team, advanced tai chi, adult sports leagues</i>	30-45%	55-70%
<b>Rentals</b>	Space and facility reservations for exclusive or shared use by an individual or group.	<i>pavilions, rentals, sports association field use</i>	0-30%	70-100%
<b>Private/Semi Private Instruction</b>	Structured time frame where learning a specific skill or activity occurs with sole gain and direct benefit to the individual. These services are typically conducted in a one on one setting but may also include semi-private instruction. Group size is established to ensure maximum gain for each participant. Registration is required.	<i>personal training, private or semi-private dance</i>	0-20%	80-100%
<b>Food/Beverage/Merchandise – Resale</b>	Items for sale to the public for personal consumption or use.	<i>food, beverages, Thrive t-shirts</i>	(25)-0%	100-125%

The model for support and cost recovery was dubbed the Financial Support and Sustainability Strategy and was adopted by City Council in 2019. Once the FSSS was adopted, the department assessed the current levels of cost recovery and support for existing programs and activities once audited financial figures were available for fiscal years. Unfortunately, COVID and the impact it had on department operations skewed annual assessments of cost recovery levels and limited our capacity to determine if the FSSS should be modified. These factors coupled with the annexation of Castle Hills coming to fruition in November 2021, led to the extension of the original FSSS through FY2024.



As the department has settled into its “new normal” and the type of programs/activities offered have changed, the FSSS is set to be updated in late 2024. In preparation for updates to the FSSS, the Parks and Recreation Department used followed the process and timeline below:

- **August:** Review trends and analysis, solicit initial thoughts, and lay out the timeline for the FSSS update with the Park Board.
- **September:** Team LewUSville will review the trends and analysis, develop recommendations for updates to service categories, and support goals.
- **October:** The Park Board will review the recommendations provided by Team LewUSville and take action accordingly.
- **November:** Review trend analysis, staff recommendations, and solicit input from the City Council at workshop; an agenda item will be prepared for approval at a subsequent meeting.
- **December:** Internal procedures and processes will be updated to accommodate the updated FSSS.
- **2025 and Beyond:** FY25 will be the first fiscal year measured against the updated FSSS. The FY26 budget will be built accordingly.

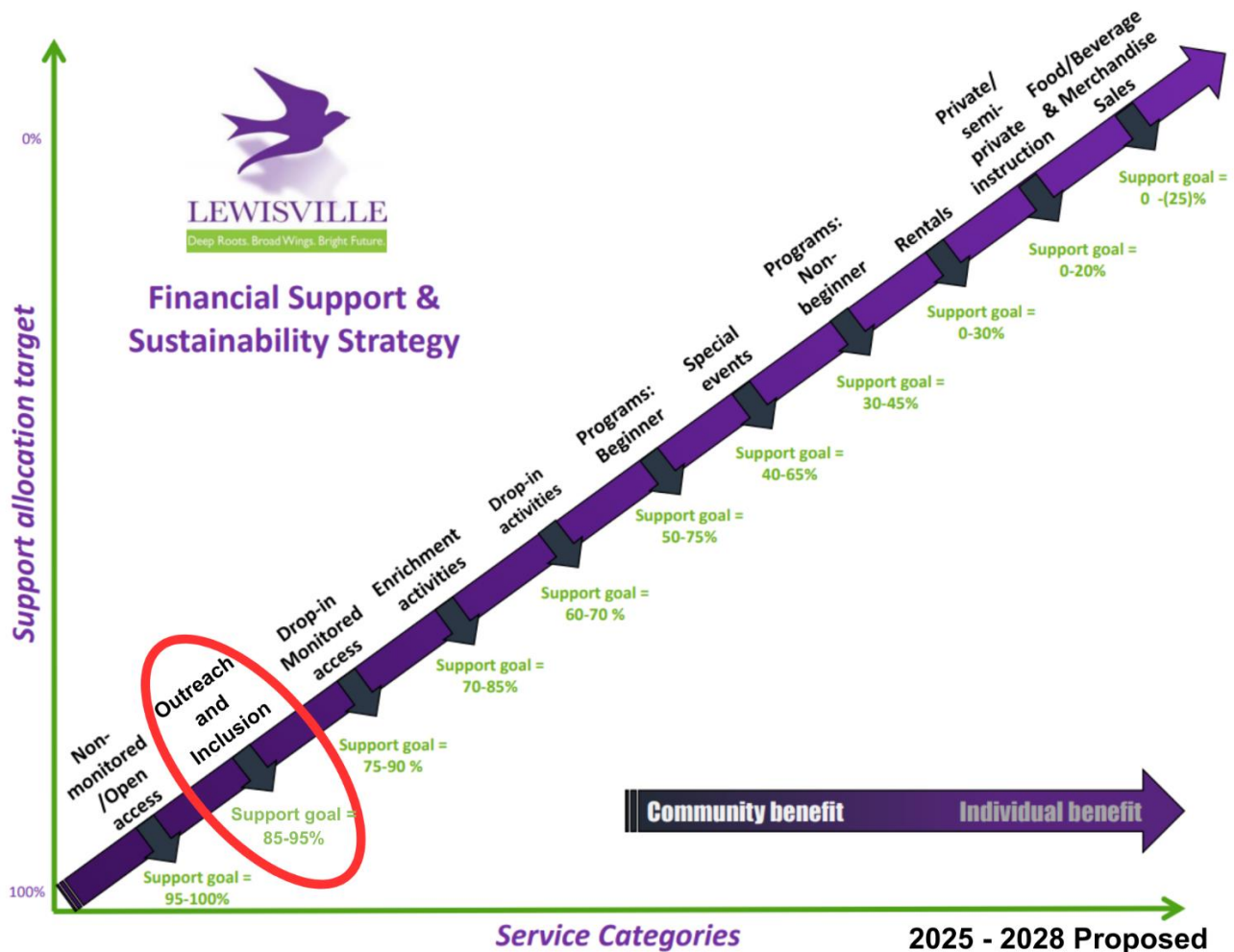
## ANALYSIS

Meaningful analysis of the performance of activities and categories was difficult until FY22 and FY23. The attached presentation not only details the history of the FSSS but provides an analysis of the performance of activities and service categories during FY22 and FY23. Overall, there was an increase in activities offered, as well as number of activities meeting their respective cost recovery goals. Furthermore, the number of categories meeting their respective cumulative rate increased from 5 to 6, gaining the Rentals and Merchandise for Sale category but losing the Community Events category.

A review of trends and analysis followed by discussions with the Park Board and team resulted in a set of recommendations for the updating of the FSSS. A summary of the discussions and recommendations are listed below:

- **Revamp the Community Events Service Category**
  - Originally incorporated large scale events coordinated by Community Relations and Tourism (CRT), as well as those funded via the Toyota dealership sponsorship at Railroad Park.
  - Cost recovery goals have not been met
  - The end of the sponsorship and COVID drastically changed special event offerings of PARD due to lack of revenue; shift of resources to outreach programs such as Play Lewisville on Wheels (PLOW) and smaller events offered at Thrive.
  - Difficult to account for revenue and expenses generated by CRT into calculation of support.
  - Recommend a new category called Outreach and Inclusion
    - reflects the menu of programs offered today such as PLOW, cultural celebrations and the Chance-to-Series.
  - Recommend a range of 85-95%.
  
- **Merchandise for Sale Category**
  - Cost recovery goals have been met sporadically but performance is skewed due to inability to operate on an accrual basis with inventory
  - No changes to the definition or range are recommended currently
  - The team will focus on strategically improving the approach for selling merchandise to include consideration of an online, on demand service to respond to trends and minimize inventory issues.

The graphic below includes the proposed support and cost recovery goal for the proposed Outreach and Inclusion category that is in the 85-95% support target. The ranges correlate with each category's placement along the continuum and indicate the level of support each program or activity in the category will receive from non-fee related sources.



In addition to the proposed changes to the FSSS, the team will make the following modifications to operational practices:

- Begin implementation of original plan for pay-for-play at Thrive in December 2024
  - not all fitness and aquatic classes will be included in annual membership
- Focus on improving cost recovery in low risk, low direct cost areas
  - Pavilion rentals
  - Sports field and court rentals
- Enhance efforts to find sponsors and partners for Outreach and Inclusion, Enrichment, and Drop-In Activities
- Continue to identify and implement cost reduction strategies
- Continue to improve assignment of program costs.

The Park Board supported these recommendations being presented to the City Council for consideration at the October 2024 regular meeting.

**CITY STAFF’S RECOMMENDATION**

That the City Council approve the extension of the Financial Support and Sustainability Strategy.