



Parks & Recreation Department

A Smart Approach to Resource Allocation & Cost Recovery

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110%'s Philosophy & Smart Approach

110% Inc. is interested in leading a project specifically designed for the City of Lewisville Parks and Recreation Department. We have proposed a detailed view of the comprehensive process we recommend in the pages that follow, and fully understand that the development of this process is expected to take into consideration the following conditions and interests as the process evolves and progresses.

- The Department's current Resource Allocation and Cost Recovery Philosophy
- The Department's current approaches to the establishment of fees and charges, discounting and other pricing strategies
- Current organizational and community financial conditions and realities

Our goal is to aid the City of Lewisville Parks and Recreation Department in the development of an effective *Financial Management Philosophy to be guided by A Smart Approach to Resource Allocation and Cost Recovery*. Our proposal intends to objectively and rationally uncover the strengths and challenges of the Department's existing financial management philosophy and practices, resources and realities, opportunities and threats as presented by the system and community, and ultimately, prospects for success.



The Need for Cost Recovery Discussions and Action in the Public Sector

Among the biggest challenge the public-sector faces are managing historic customer and community expectations that tax dollars foot the bill for most or all governmental services including parks and recreation services. The uncharted territory in which many professionals now find themselves includes the reality that subsidy dollars can only be directed to those services that provide for the greatest public good, and an expectation of full cost recovery or excess revenue generation for those services that “benefit” the few.

The business of public parks and recreation (and arguably, government in general) is at a critical crossroad and has been profoundly impacted by a number of key issues including: increased interest in governmental accountability; increased competition from all sectors; stable or declining revenues with increasing costs; rampant arbitrary pricing and antiquated financial accounting processes; rapidly changing demographics; and maintenance backlogs and deteriorating infrastructure that seem far beyond recovery.

Operating from a foundation built upon sound business principles does indeed challenge conventional wisdom in the public sector. It charges public employees with being more diligent about their management decisions with the expectation that they can justify how resources are used. It requires the establishment of organizational cultures that reflect an interest in defensible management practices and to justify how tax dollars are spent. It encourages productivity and the pursuit of opportunities for efficiency and revenue growth knowing that these efforts can help strengthen systems for the long term. And by applying business principles the long-held notion that certain services can continue to be subsidized because they always have been or because there is a demand that they are is challenged.



A Smart Approach to Resource Allocation & Cost Recovery

While we recognize that each organization and the communities and customers they serve are different, we do use a common framework from which we progress through the development of a *Financial Management Philosophy to be guided by A Smart Approach to Resource Allocation and Cost Recovery*. The process we recommend includes the following integrated steps.



Step 1: Kick-off Meeting

The project officially kicks-off via a meeting (conference call) with the Department's Project Team. A thorough review of the process will take place during this meeting including: proposed process and tasks; anticipated number and types of meetings; discussion of information and data requested; proposed timeline; and expected quality and format of all deliverables. In addition, we will work to ensure staff optimization and efficiency by determining how best to manage and coordinate on site meetings.

Step 2: Staff (& Policy Makers) Education & Training

Staff (and policy makers) education and training on the front end of the process and at iterative points along the way provides all staff, and advisory and policy making boards (at the discretion of the Director) with a comprehensive understanding of the process, why the organization would choose to engage, and on-going updates and discussion regarding the process, its progress, and how the outcomes are ultimately intended to positively affect operations.

Beginning the process with staff (and policy makers) includes not only an introduction to the topic of cost recovery in the public sector but also provides them with an enhanced education on the merits of how revenues are and/or may be generated, how to think about spending, and about the importance of a cost recovery philosophy for sustaining the system long term. During the education and training portions of the process, staff (and policy makers) will:

- *become familiar with and understand the purpose of the process and its intended outcomes;*
- *engage in identification of key issues the organization currently faces as it relates to finances;*
- *discuss the effectiveness of current budget and financial management practices; and*
- *engage in work sessions and the development of the organization's resource allocation-cost recovery model*

Step 3: Evaluation & Analysis of Current Conditions

To get at the core of what it is that drives financial management decisions, we prompt organizations to address and answer many questions in pursuit of a path towards relevance and effectiveness in financial management and cost recovery philosophy, strategy and policy. A sampling of the questions we ask and pursue answers to includes but is not limited to the following.



- Q:** If a current cost recovery philosophy or model exists, what was the fundamental basis for its development?
- Q:** What is the current methodology used to account for costs and how are costs defined?
- Q:** What are the organization's current funding sources?
- Q:** What are current markets? The current competitive landscape?
- Q:** How does the organization establish fees and charges?
- Q:** Are discounting practices in place? If so, what are they based upon (age, skill/ability levels, etc.)?
- Q:** Does the organization benchmark against others or is it focused on its fiscal and community realities, therefore, benchmarking against its own performance?
- Q:** Does the organization direct energies towards looking for new resources or on how to best/effectively use what is available?
- Q:** How does the organization balance attempt to business principles with social good?

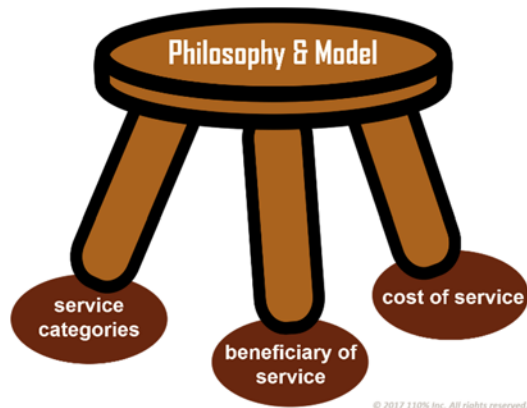
Step 4: Identification of Key Issues & Opportunities

As the result of previous steps, key issues and opportunities will be identified which derive from frequently repeated or insightful responses to questions posed during interactions with staff (and Board) and by way of organizational resources such as: the Department's Resource Allocation and Cost Recovery Policy, the associated report completed in 2013, FY2018 fees, and other supporting resources.

These key issues are expected to continue to have significant impacts on the organization and its operations moving forward. Therefore, they are recommended as the foundation for the development of the Department's *Financial Management Philosophy to be guided by A Smart Approach to Resource Allocation and Cost Recovery*.

Step 5: Designing a Financial Management Philosophy including a Resource Allocation & Cost Recovery Model

It is important to acknowledge that financial management is the foundation from which strategies like "cost recovery" are built. How an organization chooses to invest its money and how they choose to make decisions concerning the recovery of expenses are at the liberty of the philosophy that guides an



organization's decisions about finances. Financial management philosophy then becomes the critical core for how an organization acts and responds when it comes to money management. Critical issues today that are among those that are impacted by a financial management philosophy (or lack thereof) include balancing need with wants and investing in deteriorating infrastructure and physical assets that require care and attention when there is great demand for growth and development.

During the process a Financial Management Philosophy statement will be established based upon current conditions and the project manager's recommendations. This philosophy will mirror that of a mission or purpose statement in that it will address the "what", "why" and "how" behind the organization's financial choices and decisions. This baseline philosophy will then be the grounding force in the development of a resource allocation-cost recovery model.

An effective Resource Allocation & Cost Recovery Model will not only align with the organization's Financial Management Philosophy, it must also be built upon three fundamental "legs" in order to be effective: the development of service categories; determining beneficiary of service; and identifying the cost of service delivery.

Step 6: Policy Development

As the result of the comprehensive process, financial management strategies and policies that position the agency to immediately address short term financial challenges as well as long term financial interests such as investing in infrastructure (e.g., retained earnings policy) can be developed at the discretion of the Director.

Policies that can be designed and/or influenced include the following.

1. Fees and Charges Policy – development or update to create relevance
2. Social Equity Policy or similar including consideration of relevant scholarship/reduced rate guidelines
3. Capital Investment Policy
4. Property Acquisition, Development or Divestment Policy
5. Asset Prioritization Policy

