



AGENDA REPORT

Library and Community Services

DATE:	May 20, 2025
TO:	Mayor Martinez and Members of the City Council
FROM:	LaShonda White, Deputy City Manager-Community Services Andrea Miller, Director of Finance Ranjana Maharaj, Deputy Director for Community Services-Recreation Antonio Banuelos, Accounting Manager Hope Lattell, Finance Manager
Subject:	Cost-of-Service Analysis and Fee Study for Community Services-Recreation
FINANCIAL IMPACT:	Recreation's proposed Fiscal Year (FY) 2025-26 revenue is estimated at \$1.2 million, and expenditures are estimated at \$9.5 million, with a net General Fund allocation of approximately \$8.3 million. The revenue for FY 2025-26 reflects no changes to Recreation fees. If Recreation fees are increased by Employment Cost Index (ECI) of 3.6 percent as part of the city-wide Master Fee Schedule, the Recreation revenue could increase by 3.6 percent or approximately \$42,120.
PREVIOUS COUNCIL ACTION:	June 27, 2023 December 18, 2023
STATEMENT OF THE ISSUE:	The City of Richmond retained Berry, Dunn, McNeil & Parker, LLC to conduct a Cost-of-Service Analysis for the Community Services – Recreation Department, focusing on revenue and expenses associated with recreation programs and services. The analysis reviewed service delivery and cost recovery for Fiscal Years(FY) 2022–2025, with projections through FY 2028. BerryDunn provided revenue and expense forecasts, cost recovery targets, and recommended

	ranges for core service categories to support informed fee-setting and policy decisions. This report represents the City's first formal cost-of-service review in recent years and offers a foundation for aligning future fees with actual service costs.
RECOMMENDED ACTION:	RECEIVE a presentation on Recreation's Cost-of-Service Analysis and Fee Study, and PROVIDE direction regarding Fiscal Year 2025-26 Recreation fees – Community Services Department/Finance Department (LaShonda White/Ranjana Maharaj/Antonio Banuelos/Hope Lattell 510-620-6972).

DISCUSSION:

On June 27, 2023, City Council adopted a resolution excluding recreation fees from the approved Master Fee Schedule, leaving the fees “as is” and providing direction that further analysis be conducted on the recreation fees. The City Council also requested that the following principles for setting fees be included:

- (1) Public resources for the public good - fees should maximize public use and benefits;
- (2) Social equity - prioritize access for historically excluded groups and address barriers;
- (3) Ability to pay - costs should be covered by those most able to pay;
- (4) Sustainable and sufficient revenue - ensure revenue sustains quality services without being prohibitive; and
- (5) Alignment with City Council priorities - fees should match approved priorities.

Per City Council direction, on December 18, 2023, the Finance Department issued a Request for Proposal (RFP) to find a qualified firm to conduct a study for fees included in Recreation's portion of the City's Master Fee Schedule. The City received three (3) proposals from qualified firms. On June 18, 2024, the City Council approved a \$50,000 contract with Berry, Dunn, McNeil & Parker, LLC (BerryDunn) to prepare a Cost-of-Service Analysis and Fee Study (Study) for the Community Services – Recreation Department (Department) to better understand the costs associated with its recreation programs and to inform equitable and sustainable pricing policies.

BerryDunn reviewed all revenue generated from user fees and charges for recreation activities, programs, and services the Department currently provides, and the identified expenses associated with providing all recreation activities, programs, and services. The project included a review of Department service delivery for fiscal year (FY) 2022 - FY 2025, and projections for FY 2026 through FY 2028. The review of services included an examination of revenue and expense projections and expected activity, program, and service delivery offerings. Based on the expense projections and expected service offerings, BerryDunn prepared revenue and expense projections, cost recovery targets,

and recommended cost recovery ranges for core recreation service categories. These reviews and analyses will allow the City to make informed policy decisions at the aggregate level, as well as on each activity, program, service, and permit, regarding fee levels and cost recovery in the future (Attachment 1).

BerryDunn met with City staff to review, analyze, and evaluate current and previous years' operating budgets to determine what it costs the City to provide various services and what, if any, cost recovery has occurred for all services. Operating budgets were analyzed to determine the true cost of services provided by the City to the community as a basis for creating a cost recovery policy and methodology (Attachment 2).

BerryDunn has used all of this data, fee comparisons with other agencies and feedback from almost 400 community members through a survey to create a preliminary cost of service analysis to be used as the basis for creating a cost recovery methodology and policy for the City to implement (Attachment 2 and 3).

Future Strategic Financial Recommendations and Considerations

In the report, BerryDunn recommends that the City consider the recommendations and considerations outlined below (more details available in Section 4.3 of the Study):

1. Review and update fees on a periodic basis, as needed. Fee reviews should also be performed in conjunction with the Department's ongoing service delivery efficiency and cost reduction review efforts as well.
2. Set targeted ranges of cost recovery related to specific activity, program, and service categories and adjusting fees within that service category accordingly.
3. Review the Recreation core service cost recovery baselines to assess where additional revenue generation by way of fees and charges increases may be warranted.
4. Review fees for activities, programs, and services in the higher revenue-generating core service categories first when considering fee adjustments as these adjustments are most likely to have the greatest impact on the Department's fiscal environment.
5. Review select fees for specific activities, programs, and services within the recreation and aquatics categories related to the cost recovery targets outlined in section 4.0 of the Study and identify those perceived to provide the most individual benefit. (e.g., specialized sports services).
6. Identify and consider only costs considered direct costs associated with activity, program, and service development and delivery when assessing and setting fee levels.

7. Consider start-up and/or specific operational costs for select new activities, programs, and services scheduled to be offered and adjust cost recovery targets and set initial fee levels accordingly.
8. Continue to follow its current cost recovery policy framework and avoid allocating large subsidies to activities, programs, and services that target small portions of the City population and are perceived to provide minimal public benefit.
9. In conjunction with performing financial reviews, monitor and review demand, trends, and non-municipal competition to help assess and calculate fee levels to reflect actual demand for activities, programs, and services.
10. Apply a surcharge of 20-25 percent for non-residents, adjusting for specific services like facility rentals if needed.
11. Use ActiveNet, Recreation's electronic registration and permitting system, for detailed tracking and analysis of annual participant volumes per activity, program, or service type.

Past City Council Actions to Support Equitable Access to Facilities

In July 2022, City Council approved the creation of new Fee Waiver and Partnership Policies to ensure equitable access to recreation services while supporting strategic community partnerships. These policies ensure fairness, transparency, and accessibility while maximizing community impact and efficient use of public resources.

The policies establish parameters for waiving outdoor park or indoor facility use fees for community-wide events and activities which benefit the public for special events or temporary uses. This is a process by which Richmond nonprofit organizations can apply to have their rental fees reduced up to 100 percent. From January 2022, through June 2023, the City waived \$10,199 in fees. In FY 2023-24, the City waived \$12,797 in fees to support eleven (11) community-based organizations and events; and to-date, in FY 2024-25, the City waived \$8,866.50 in fees to support eight (8) community-based organizations and events (Attachment 5).

Recreation has also established partnerships with various community-based organizations to enhance public offerings to the community. City staff is actively developing a comprehensive partnership agreement aimed at bolstering youth sports programs by providing access to both outdoor fields and indoor facilities. This initiative is designed to ensure that young athletes have ample opportunities to engage in sports, practice, and compete in a supportive environment.

The changes to the fee waiver and partnership policies and applications will be made administratively and updated on the City's webpage by July 1, 2025. Information can be found at <https://www.ci.richmond.ca.us/4341/Fee-Waiver-and-Partnership-Guidelines>. Recreation staff will continue to monitor both policies and make appropriate changes based on community feedback.

City Council Options for Consideration Regarding Recreation Fees

The Study's recommendations on cost recovery, pricing structures, financial strategies, and policy elements will support and provide direction for future potential changes to Recreation fees and service. However, City staff is focusing its request from City Council on setting Recreation-related fees for FY 2025-26 as part of the Master Fee Schedule. Annually, the City of Richmond is required to bring forth the Master Fee Schedule for review and approval by City Council. Although the Master Fee Schedule has moved forward with increases each year based on the Bureau of Labor Statistics Employment Cost Index (ECI), Recreation fees have remained the same since 2018.

Based on the Study, the following options, in order of City staff's recommendations, are available for City Council consideration regarding Community Services-Recreation's fees:

1. No Changes to Current Recreation Fees (City staff's recommendation)
 - a. The fees will remain at their FY 2024-25 levels as part of the city-wide Master Fee Schedule
 - b. The Department will continue to review its fees and recommend updates for City Council consideration on an annual basis
 - c. Recreation staff will continue to implement the Council-approved Fee Waiver and Partnership policies to increase access to City spaces
 - d. If there are no increases to Recreation fees, the impact to the City's General Fund may increase
2. Increase Recreation fees by 3.6 percent based on the Employment Cost Index (ECI)
 - a. City staff would adjust Recreation's fees to align with the Master Fee Schedule's ECI Index for FY 2025-26
 - b. This increase could increase revenue by approximately \$42,120 based on FY 2025-26 revenue projections
3. Increase Recreation fees by an amount other than the ECI of 3.6 percent
 - a. The City could set cost recovery targets based on the following:
 - i. Establish a level of cost recovery for the overall fees for Community Services-Recreation
 - ii. Set a level of cost recovery based on category groupings (Community Centers, General Recreation Services, Aquatics and Convention Center)

In consideration of the five (5) principles City Council directed City staff to take into consideration when setting Recreation fees and the information received through the Study, City staff is recommending that City Council approve no changes to the Recreation fees for FY 2025-26 as part of the city-wide Master Fee Schedule.

DOCUMENTS ATTACHED:

Attachment 1 - Recreation_ Cost of Service Analysis_ Project Report_ 04092025

Attachment 2 - AppendixA_Recreation_CoS_Model_FINAL_04092025
Attachment 3 - Appendix B_Recreation_Peer Comp Matrix_FINAL_04092025
Attachment 4 - AppendixC_Engagement_Summary_Metrics_FINAL_04112025
Attachment 5 - City of Richmond Fee Waiver Report FYs 2023-2025
Attachment 6 - DRAFT Presentation
Attachment 7 - FY 24-25 Recreation Fees