

MEMORANDUM

TO: Board of Trustees

THROUGH: Indra Winqest
District General Manager

FROM: Paul Navazio.
Director Finance

SUBJECT: Board Practice for Approval – Budgeting and Fiscal Management,
District-wide Pricing Policy for Products and Services - Practice 6.2.0

DATE: January 26, 2021

I. RECOMMENDATION

Review, discuss and possibly take action to approve the new Board Practice 6.2.0.

II. DISTRICT STRATEGIC PLAN

Long Range Principal #3 - Finance

Budgeted Initiative B - Work with the Board of Trustees to implement District-wide pricing policy, to ensure desired cost recovery and policy-driven differential pricing for parcel owners and customers

III. BACKGROUND

This agenda item has been prepared in order for the Board to consider adoption of a formal District-wide pricing policy, as new Practice 6.2.0.

Current Board Policy 6.1.0, Section 2.2 states that, “*the District shall adopt process that identifies the manner in which fees and charges for services are set and the extent to which they cover the cost of the service provided.*” In addition, the District’s 2021-2023 Strategic Plan, (Long-Range Principle #3 – Finance), includes an initiative related to establishment of a district-wide pricing policy/practice.

At their meeting of November 10, 2021 the Board of Trustees received a presentation and provided feedback on a framework for establishing a formal pricing policy. The objective of a formal pricing policy is to ensure consistency across the District’s Community Services and Beach venues in order to meet District-wide and venue-specific revenue and cost-recovery targets established through the annual budget process.

Informed by feedback provided by the Board of Trustees at the November meeting, a draft of new Board Practice 6.2.0 was presented to the Board at their meeting of December 10,

2021. Additional feedback received at the December meeting has been incorporated into the document included with this agenda item for possible Board action.

The Board Practice 6.2.0 has been drafted to include sections covering: scope, definitions, District-wide pricing considerations, venue-specific pricing considerations and administration of the practice.

Included as attachments to this agenda item are: a) a “clean” copy of the updated draft Board Policy 6.2.0, and b) a “redline” version of the document reflecting edits incorporated to the draft was presented to the Board in December.

IV. FINANCIAL IMPACT AND BUDGET

There is no direct fiscal impact in considering approval of this agenda item. However, the proposed Board Practice 6.2.0 will serve to ensure that Charges and Services established by the District’s Community Services and Beach venues meet both revenue targets established through the annual budget process as well as cost-recovery targets for non-resident, parcel owner and guest access to facilities and programs. Collectively, these charged for services generate approximately \$19.0 million in revenues supporting District programs, services and facilities.

Attachments

- A) Board Practice 6.2.0 – (clean version)
- B) Board Practice 6.2.0 – (redline version)

**Budgeting and Fiscal Management
District-Wide Pricing for Products and Services
Practice 6.2.0**

RELEVANT POLICIES: 6.1.0 Adoption of Financial Policies

PRACTICE. It is the practice of the District to establish the manner in which fees and charges for services are set and the extent to which they cover the cost of services provided (per Policy 6.1.2.2)

1.0 Scope:

This Practice shall be used to ensure consistent application of pricing policy across the District's Community Services and Beach venues in order to meet District-wide and venue-specific revenue and cost-recovery targets established through the annual budget process.

The objective of the District's pricing policy is to:

- Ensure that revenues, including Charges for Services and applicable Facility Fees, are sufficient to cover the full cost of providing services to Picture Pass holders (residents), Guests and non-resident customers (visitors).
- Utilize sound financial planning principles to avoid volatility in charges and fees from year-to-year.
- Promote consistent framework for pricing across all venues and programs, while providing for venue-specific pricing considerations.
- Provide flexibility to management in modifying pricing during the fiscal year based on market conditions, and establishment of new programs.

2.0 Definitions – for purposes of this practice, the following definitions shall be applied:

- Full-Cost is intended to represent the per-unit cost of providing access to, or use of, District venues, services and programs, and shall include operating costs (including overhead), capital depreciation and debt, as reflected in the annual budget.
- Operating Costs are defined to include direct personnel costs, non-personnel costs and overhead costs. For purposes of this definition, overhead applied to programs and services shall include appropriate allocation of Central Services Overhead as well as Department-specific administrative overhead.
- Direct Costs are defined as the incremental cost of providing for access or services for a specific event or purpose. Examples would

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include incremental cost (staffing, supplies, etc.) of providing access to a venue during normal business hours versus outside of normal operations.

- Capital Costs for programs and services provided through the District's Community Services and Beach Enterprise Funds shall be defined as the annual depreciation budgeted and allocated to each fund and cost center.
- Debt Costs for purposes of establishing full-cost recovery shall include principal and interest on outstanding debt allocated to each fund as included in the annual budget.

3.0 District-wide Pricing

The District provides recreational amenities and programs to residents, guests and visitors. In addition access to District-owned beaches is restricted to residents and their guests. To support the District venues, facilities and activities, the District establishes, through the annual budget process, a Recreation Facility Fee and Beach Facility Fee which are assessed on parcels within the District.

As a result of the assessed Facility Fees, pricing established for access by District Picture-Pass holders and their guests are discounted from the pricing established for non-resident customers, as follows:

3.1 Customers:

- 3.1.1 Rates charged to Non-Resident customers for use of District facilities and programs shall be set to cover no less than 100% of the Full-Cost of providing facilities and programs.
- 3.1.2 Pricing for services and merchandise provided through District profit centers (Golf Shop, Food and Beverage) shall incorporate mark-up over costs based on market-driven targeted profit margins established as part of the budget process.
- 3.1.3 As it applies to daily rates charged to Customers for programs and services, management is authorized to utilize dynamic pricing, based on changing market conditions, provided that doing so contributes positively to the net operating income of

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the venue. (The Board may establish a “floor” such as no lower than the Picture Pass-holder rate).

3.2 Guests:

3.2.1 Guest rates may be set at a discount in relation to non-resident customer rates, provided that the guest rates shall, at a minimum, cover the Operating Costs of access to District venues and programs.

3.2.2 Where Guest Rates are established, to access the discounted rates a Guest must either be accompanied by a Picture-Pass holder or provide a District-issued Punch Card. The latter can be used to pay-down the non-Resident customer rate to either a Guest Rate, or Resident Rate, depending on the venue.

3.3 Parcel Owners (Picture Pass holders):

3.3.1 Rates charged to Picture-Pass Holders shall be discounted from the Full-Cost of services, in recognition of the Facility Fees assessed on parcels within the District.

3.3.2 Rates established for Picture-Pass holders shall generally be set at no greater than the rate required to cover the operating costs of programs and services. In some cases, rates charged may exceed Operating Costs to the extent that the Facility Fee approved through the budget process are insufficient to cover the cost of annual Capital Costs and Debt Costs.

3.4 Discounts

3.4.1 Group Rates – Access to District venues for qualifying groups can be provided at a discount from the individual non-resident customer rates, provided that the discounted pricing is set so as to cover the Direct Costs of venue access. Discounts may vary based on venue availability (example: peak versus off-peak, mid-week versus weekend).

3.4.2 Community Non-Profits – Access to District facilities and venues to Community-based Non-Profits, as defined (Resolution 1701) can be provided at a discount from the non-resident customer rates, and should be no less than the Direct Costs of providing venue access.

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3.4.3 The annual budget should provide for a funding allocation from the District's General Fund to be used to offset discounts provided to Community Non-Profit organizations. This funding is to be allocated to venues based on utilization by Community Non-Profits in order for mitigate impact of Community Non-Profit use on overall financial performance of District venues.

4.0 Venue-Specific Pricing

While applying District-wide pricing guideline as set forth in this practice, each District venue, as a unique business enterprise, may incorporate modifications to its pricing for programs and services, provided that the venue is able to achieve overall financial results consistent with the net income targets established through the annual budget process. Such modifications may include, but are not limited to:

4.1 Golf Course Fees

- 4.1.1 Fees charged to Picture-pass holders, Guests and Non-Residents may vary based on season, day of the week, time-of-day, and partial (9-hole) use of the golf courses.
- 4.1.2 Play-Passes offered to Picture Pass holders may be priced at a discount from daily fees.
- 4.1.3 In doing so, management shall track and report average revenue-per-round, in relation to the defined cost-recovery targets for Picture-Pass holders, Guests, Non-Residents and Play-Pass rounds sold.

4.2 Facilities/Special Events

- 4.2.1 Fees set for Facility rentals and Special Events should be based on cost-recovery targets for the Facilities Enterprise Fund established through the budget process.
- 4.2.2 Rental fees for use of facilities by Non-Residents should take into account the historical utilization rates of rental facilities by incorporating a mark-up required to achieve overall cost-recovery targets.
- 4.2.3 Rentals provided to Picture-Pass holders should incorporate discounts, as appropriate, to reflect level of annual Recreation Facility Fee allocated to the Facilities Fund.

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- 4.2.4 Fees charged for catered (Food and Beverage service) events should be set to cover the full direct cost of staff, operations and food and beverage, plus mark-up based on market conditions.
- 4.2.5 Consideration shall be given to maintain Facility rental and Special Events services competitive within the regional marketplace.

4.3 Ski

- 4.3.1 Rates charged Non-Residents for daily tickets and season passes should be set so as to remain competitive within the market.
- 4.3.2 Rates charged for Non-Resident daily tickets shall be no less than the full-cost of access to the ski venue, based on target level of skier visits for the season.
- 4.3.3 Rates charged for Picture Pass holder daily tickets and season passes shall be set at a discount – to the extent that revenues from Non-Resident tickets and passes are sufficient to meet overall net revenue targets for the season.
- 4.3.4 Fees charged to Picture-pass holders and Non-Residents may vary based on peak periods, day of the week, and full-day versus half-day passes.
- 4.3.5 The Ski Rental Shop and Ski Lessons operate as profit-centers, with rates being largely market-driven, to include appropriate profit margins. Rates are charged uniformly, with no discounts.

4.4 Parks, Recreation, and Tennis Center

- 4.4.1 The District's Parks, Recreation Center, Tennis Center and recreation programming are community amenities open to residents, guests and visitors.
- 4.4.2 Programs and memberships are provided to Picture-Pass holders at a discount, in relation to the Facility Fee assigned through the annual budget process.
- 4.4.3 Program pricing is based on industry-standard "Cost-Recovery Pyramid" which provides for increasing levels of cost-recovery based on whether programs provide community benefit versus individual benefit. (See Appendix A)
- 4.4.4 Recreation Center and Tennis Center membership pricing is adjusted based on age, season, time-of-day and day of the week (peak and non-peak hours).

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4.4.5 Management shall review memberships and program fees annually, and may adjust rates based on industry and regional rates.

4.5 Beaches

4.5.1 Beach access is restricted to use by picture-pass holders and their guests.

4.5.2 Funding to support the District beaches comes directly from the annual Beach Facility Fee assessed on properties within the District and, as such, beach access to Picture-pass holders is free-of-charge.

4.5.3 Guests, whether accompanied by a Picture-Pass holder or in possession of a District Punch Card, are charged a daily beach access fee. The daily Guest beach access fee is to be set annually in relation to Operating Costs (per beach visit) as established through the annual budget process.

4.5.4 The daily Beach access fee may vary based on time of year, and peak periods. Management shall report on the average daily guest rates for the season to ensure that pricing policy and beach revenue targets are met.

5.0 Administration of District's Pricing Policy

5.1 The Board of Trustees will establish overall financial performance targets for each District venue through the annual budget process.

5.2 The Board of Trustees will approve, through the budget process or when appropriate during the fiscal year Key Rates to include:

5.2.1 Golf Rates for Picture Pass Holders, Play Passes, Guests and non-resident Customers.

5.2.2 Picture-Pass holder and non-resident customer Season Pass Rates and Picture-Pass holder Daily Pass Rates for Diamond Peak.

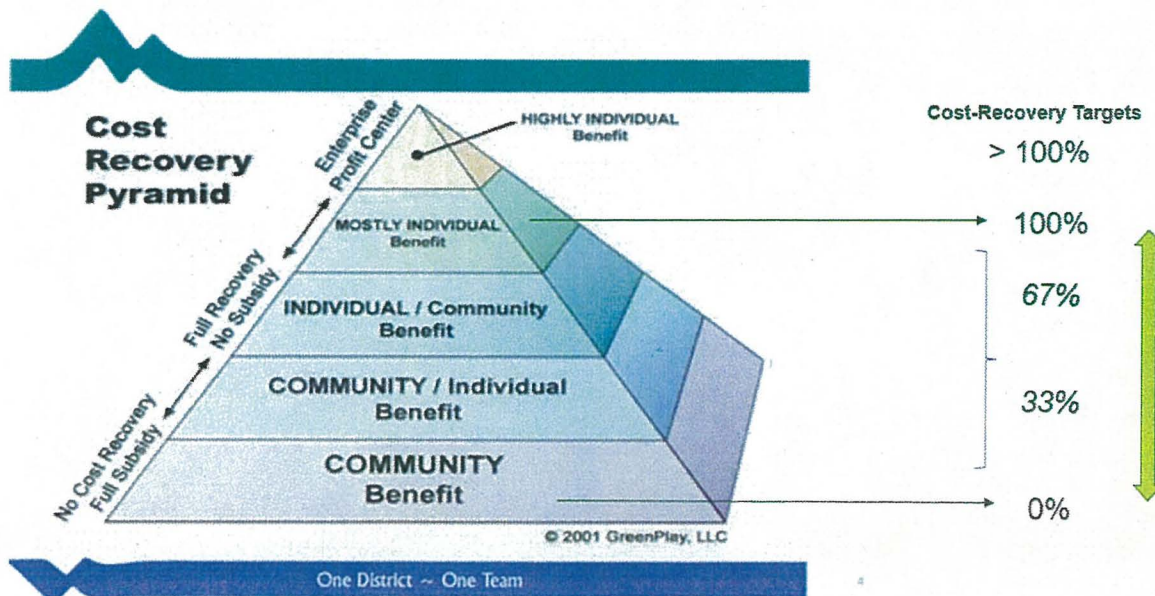
5.2.3 Picture-Pass holder Recreation Center and Tennis Membership Rates.

5.2.4 Picture-Pass holder rental rates for District Facilities / Special Events.

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- 5.3 The General Manager is authorized to approve daily and group rates for all other programs, based on the recommendations of venue managers, consistent with the parameters of the District's Pricing Policy.
- 5.4 The District's Director of Golf/Community Services is authorized to approve pricing for Food and Beverage and retail merchandise.
- 5.5 Fee Schedules shall be placed on the District's website, and shall be updated, as needed, to reflect current pricing, to the extent practical.

Appendix A Cost-Recovery Pyramid Recreation and Community Programs



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**Budgeting and Fiscal Management
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Practice 6.2.0**

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- Operating Costs are defined to include direct personnel costs, non-personnel costs and overhead costs. For purposes of this definition, overhead applied to programs and services shall include appropriate allocation of Central Services Overhead as well as Department-specific administrative overhead.
- Direct Costs are defined as the incremental cost of providing for access or services for a specific event or purpose. Examples would include incremental cost (staffing, supplies, etc.) of providing access to a venue during normal business hours versus outside of normal operations.
- Capital Costs for programs and services provided through the District's Community Services and Beach Enterprise Funds shall be defined as the annual depreciation budgeted and allocated to each fund and cost center.
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3.0 District-wide Pricing Guidelines

The District provides recreational amenities and programs to residents, guests and visitors. In addition access to District-owned beaches is restricted to residents and their guests. To support the District venues, facilities and activities, the District establishes, through the annual budget process, a Recreation Facility Fee and Beach Facility Fee which are assessed on **parcels dwelling units** within the District.

As a result of the assessed Facility Fees, pricing established for access by District Picture-Pass holders and their guests are discounted from the pricing established for non-resident **customers** and ~~visitors~~, as follows:

3.1 **Customers** ~~Non-Residents~~:

- 3.1.1 Rates charged to Non-Resident **customers** for use of District facilities and programs shall be set to cover no less than 100% of the Full-Cost of providing facilities and programs.
- 3.1.2 Pricing for services and merchandise provided through District profit centers (Golf Shop, Food and Beverage) shall incorporate mark-up over costs based on market-driven

targeted profit margins established as part of the budget process.

3.1.3 As it applies to daily rates charged to ~~Customers Non-Residents~~ for programs and services, management is authorized to utilize dynamic pricing, based on changing market conditions, provided that doing so contributes positively to the net operating income of the venue. (The Board may establish a “floor” such as no lower than the Picture Pass-holder rate).

3.2 Guests:

3.2.1 Guest rates may be set at a discount in relation to non-resident **customer** rates, provided that the guest rates shall, at a minimum, cover the Operating Costs of access to District venues and programs.

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3.3 ~~Parcel Owners Residents~~ (Picture Pass holders):

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3.4 Discounts

3.4.1 Group Rates – Access to District venues for qualifying groups can be provided at a discount from the individual non-resident **customer** rates, provided that the discounted pricing is set so as to cover the **Direct full** Costs of venue access. Discounts may vary based on venue availability (example: peak versus off-peak, mid-week versus weekend).

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3.4.3 The annual budget should provide for a funding allocation from the District's General Fund to be used to offset discounts provided to Community Non-Profit organizations. This funding is to be allocated to venues based on utilization by Community Non-Profits in order for mitigate impact of Community Non-Profit use on overall financial performance of District venues.

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Appendix A

Cost-Recovery Pyramid

Recreation and Community Programs

