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## Recreation Department Analysis

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# Augustana College



## **Recreation Department Analysis**

### **Fall 2015 • Sustainable Working Landscapes Initiative**

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## **The Sustainable Working Landscapes Initiative (SWLI)**

The concept of the Upper Mississippi Center for Sustainable Communities (UMC) came from exploratory meetings with more than 125 on and off-campus community stakeholders between January and August of 2013. The need was clear: our area's urban and rural communities have identified many environmental and economic sustainability issues and do not have the staff, expertise, time or funding to address them. The vision of the UMC was to mobilize Augustana's faculty and students to help communities solve the social, economic, and environmental challenges facing the rural and urban landscapes of the Upper Mississippi region by integrating the study of these current, local issues into coursework taught on campus. After two pilot years, the UMC implemented a unique collaborative learning model named the Sustainable Working Landscapes Initiative.

The Sustainable Working Landscapes Initiative is modeled after the Sustainable Cities Year Program at the University of Oregon. Augustana College is the only exclusively undergraduate institution in the country to adapt this highly successful program to a residential liberal arts setting. The model creates a full one-year partnership between Augustana and a city/county partner, matching existing courses from multiple departments and other learning experiences (independent study, senior inquiry, internships) with community-identified and driven sustainability problems. The SWLI also helps cities and counties achieve their economic, social, and environmental sustainability goals while working with limited resources.

The Sustainable Working Landscapes Initiative represents a paradigm shift for service learning experiences in higher education. Instead of asking groups and communities to participate in initiatives that originate in academia, the UMC asks communities to identify their most pressing social, economic, and sustainability challenges. It then provides these groups and communities with the human and academic resources of Augustana College faculty and students to help them address the challenges. This is not a one-time group of volunteers. SWLI student and faculty participants commit to supplying three, 10 week terms of sustained research, study and work in the classroom and in the field. The UMC is establishing enduring relationships between Augustana and these constituents so they can continue to work together to find creative solutions, test and evaluate their effectiveness, and try again as challenges and problems change.

The Mississippi River city of Clinton, Iowa (pop. 26,473) was chosen as Augustana's 2015-16 SWLI partner. Students and faculty have collaborated with Clinton officials and community stakeholders to complete 15 community-identified projects. Throughout the year, these projects have been worked on by 150 students in 15 courses in the humanities, social, and natural sciences. Because these projects are community-driven priorities, the fresh ideas, designs and products students generate address critical but unmet needs and have real-world impact.

## **Project Description**

The City of Clinton operates the Recreation Department activities out of the City's general fund. Total operating expenses budgeted for FY16 are \$819,791, with roughly 50% of the expenses forecasted to be paid by user fees and 50% from property taxes in the general fund. The City would like to analyze the revenues collected and the expenditures out of this department, with a focus on opportunities for increased revenue streams and operating efficiencies.

**Objective #1: Allocate Costs from 431-Administration to Each of the Seven Activities:**

One of the primary objectives of this report is to help determine a cost allocation method for the costs accumulated in account 431-Administration. The 431 - General Leisure/Administration account is a non-revenue generating activity. In order to allocate these costs as equitably as possible, it is important to understand which costs can be directly associated with each activity.

Our approach to allocating these expenditures started with breaking down the largest costs first. As expected, the largest costs from Activity 431 are the costs related to payroll. Full-Time Wages, Permanent PT Wages, FICA, IPERS, and Medicare. The first step we took in allocating these specific costs was to gain a better understanding of what makes up each expense. Full-Time Wages includes the salaries of Gregg Obren - Director, Josh Eggers - Program Supervisor, and Deb DeWeerd - Administrative Specialist. With that in mind, we asked Gregg Obren to provide us with an estimate of the time spent by each of the three employees on each sub-account. These estimates were provided in percentage form and served as the backbone for the majority of our allocation work. As can be seen in the allocation calculation section of this report, any expenditure that is directly associated with Gregg, Josh, or Deb is allocated based on the percentage estimates that we were provided. This includes the allocation of FT Wages, Health Insurance, Dental Insurance, Life Insurance, part of FICA, part of Medicare, and part of IPERS.

The remainder of the expenditures within Activity 431 were difficult to associate with specific activities, and therefore were allocated evenly to each of the seven activities. In general, the costs that were allocated evenly to the other activities are costs that would be

incurred regardless of the existence of each activity. For example, Vehicle Repairs, Office Repairs, Internet, Tools, Office Supplies, and Gasoline all fall into that category and were allocated evenly between the activities. We were effectively able to allocate \$268,751 of the Activity 431 expenses to the associated activities, and the remaining \$39,026 worth of expenses were allocated evenly between the seven sub-accounts. Youth Sports and Adult Sports were allocated the largest portions of the costs from Activity 431.

After talking with other recreation departments from comparable cities, every city has difficulty allocating their administrative costs. An important aspect to note, however, is that some cities take into account the importance of the activity in their community. If the community places an incredibly high importance on a particular activity, then the city may try to divert some of the costs away from that activity. For example, if the community pool is important, but receives a large portion of the administrative allocations, the city may attempt to allocate some of these costs to activities of lesser importance. This helps the pool look better from a financial perspective. However, allocating expenses to make certain activities look better does not provide the community with an honest idea of the cost of each activity. In order to allocate expenses equitably, the administrative costs should be allocated to the activity of which they are truly associated.

**Objective #2: Evaluate Current and Potential Other Revenue Streams:**

Beyond analyzing current revenue streams, other potential revenue streams were investigated. Based on conversations with other parks and recreation directors, common sources of other revenue comes from partnering with the private sector, and through the sale of alcohol at recreation department events.

Through expanding private sector partnerships, departments have the flexibility of utilizing unused courts and other facilities. This could be done internally or outsourced to local businesses short on space. For example, one comparable city partnered with a local daycare to increase swim lesson participation, an example of a beneficial arrangement for everyone. Bettendorf alone brings in around \$50,000 annually just from the rental of courts.

The lease of certain spaces on city-owned equipment can also be a potential revenue stream. Leasing space on maintenance vehicles owned by the recreation department for advertisement was one suggestion. Although smaller, a videoboard could be installed with advertising alongside programming as a no cost form of marketing. Lastly, advertising on the outfield fence of a field could generate additional revenue. Coralville reports its recreation department receives about \$750 per season for each 4x8 display.

Although the sale of alcohol may raise a philosophical debate regarding the wisdom of such an endeavor by the city, those who sell alcohol reap substantial financial benefits. For example, by selling 16oz cans for \$3.50 each at their softball complex, Coralville brings in between \$30,000-\$35,000 in revenue a year. Cedar Falls has a lease agreement at their softball complex, earning the higher of \$9,000 or 30% of gross alcohol sales during the summer. It only took Cedar Falls roughly 18 months to pay off the infrastructure costs required for alcohol sales including the cost of permits. At Marshalltown's facility, about 23% of the concession sales are alcohol related. The network of parks and recreation directors in the state is an excellent resource for Clinton to further develop strategies to enhance revenue as many cities have already reaped financial benefits from revenue sources other than user fees.

**Objective #3: Analyze Expenditures vs. Revenues for Each of the Seven Activities:**

The third objective of this report focuses on analyzing the revenues against the expenditures for each of the seven activities. A breakdown of this comparison can be found in the attached spreadsheets. The first page of this section provides a summary highlighting total revenues, expenses, Fund 431 allocation expense, and net profit or loss for each sub-account. Each summary on this page displays 2015 budgeted numbers in the left hand column and actual 2015 numbers in the right hand column, with the exception of Fund 212.

From the summary, quick observations can be made regarding the profitability of each activity. Prior to the allocation of Fund 431-Administration, three activities turned a profit in 2015: Fund 434-Eagle Point Lodge, Fund 435-Arts & Crafts, and Fund 436-Youth Sports. Youth Sports earned the highest revenue of these three activities, at \$54,940. Following the allocation of Fund 431, these three activities showed a net loss, while the losses of the four other activities increased. Fund 432-Ericksen Center reported the greatest loss both before and after the 431 allocation, at -\$102,525 and -\$142,208 respectively. The table below provides an overview of the total loss after the 431 allocation that would need to be subsidized in order to breakeven.

| Account                    | Total Expenses & 431 Allocation |
|----------------------------|---------------------------------|
| Fund 432-Ericksen Center   | -\$142,208.27                   |
| Fund 433-Riverview Pool    | -\$91,248.94                    |
| Fund 434-Eagle Point Lodge | -\$36,083.73                    |

|                                |                      |
|--------------------------------|----------------------|
| Fund 435-Arts & Crafts         | -\$22,789.83         |
| Fund 436-Youth Sports          | -\$40,913.70         |
| Fund 437-Adult Sports          | -\$81,127.06         |
| Fund 212-Summer Youth Programs | -\$45,903.31         |
| <b>Total Loss</b>              | <b>-\$460,274.85</b> |

By viewing the detailed breakdown of each activity, users can obtain a better understanding of the driving costs for each activity. The major cost drivers for each activity are highlighted in yellow in the detailed breakdowns. These cost drivers make up a large portion of the total expenses for each respective activity. Some commonly occurring cost drivers for several of the seven activities are: 6030.00 Temporary Wages, 6499.02 Recreation Officials, and 6507.14 Recreation/Education Supplies. The major cost drivers for the 431 allocation are consistent across all seven activities, which includes Full Time Wages, Permanent Part-Time Wages, and Health Insurance.

A comparison of revenues against expenditures is helpful for analyzing the profitability of each activity. The detailed breakdown of each fund allows users to identify the main contributors to the profit or loss of the activities. This can aid management in planning for the future of the Recreation Department, as steps can be taken to minimize some of the major expenses and maximize the major revenue streams for each activity. The breakdown also provides an updated bottom line for each activity that is inclusive of all administrative expenses.

**Objectives #4: Identify Comparable Cities to Compare Revenue and Cost Structures for Similar Programs Including Percentage of Activities Subsidized by the General Fund:**

We surveyed other comparable cities to determine the extent to which recreation activities are subsidized by the general fund of the respective city. Below is a recap by city of the amount budgeted and subsidized for recreation activities.

| City        | Total Budget | % Subsidized (\$ Amount) |
|-------------|--------------|--------------------------|
| Bettendorf  | \$5,000,000  | 50% (\$2,500,000)        |
| Cedar Falls | \$1,870,000  | 26.7% (\$500,000)        |
| Clinton     | \$819,791    | 50% (\$409,895)          |
| Fort Dodge  | \$1,500,000  | 48% (\$485,000)          |
| Mason City  | \$740,000    | 25% (\$186,000)          |

The differences in percentages can be explained in some cases by how administrative costs are allocated. For example, Mason City’s budget was subsidized about 25% by the general fund, but this covered only full-time staff salaries for the recreation department. Similarly, Cedar Falls had total expenses of \$1.87 million, of which about \$500,000, or 26.7%, came out of the general fund to cover full-time staff and permanent part-time salaries as well as all utilities and supplies.

Some strategies mentioned by recreation directors in other cities to reduce the subsidy involved creative ways to minimize costs. One department mentioned reducing the number of umpires and officials to one person for all events, as well as eliminating scorekeepers in favor of team volunteers. Having teams paint the fields for their respective sports was also suggested as a way to reduce costs. Attaining sponsorships to cover the cost of equipment and t-shirts for sports was another source of funding that aims at driving expenses down. A recycling program at Cedar Falls actually provides a youth sports scholarship by organizing the collection of caps and bottles before taking them to waste management. We suggest Clinton continue to consult with parks and recreation directors of comparable cities to generate additional ideas on how to minimize general fund subsidies for recreation activities.

**Additional Thoughts:**

After talking with comparable cities, we found that a few recreation departments were having great success using enterprise fund accounting. These recreation departments have their revenue generating activities set up as enterprise funds. This means that each activity maintains its own accounting books and records revenues and expenses as if they are a separate entity. There are a number of advantages associated with using enterprise funds. Setting up an activity as an enterprise fund creates a higher level of accountability for the activity's financial performance and makes it easier to track the costs that go into each enterprise. This creates a more accurate accounting system for each activity and is beneficial in displaying which activities are profitable and which activities are operating at a loss. Moreover, enterprise funds help identify which activities require subsidies and the amount of each subsidy. The use of enterprise fund accounting by Clinton could help with the

assessment of the effectiveness of recreation department activities from a financial perspective.