



# 05 | FINANCIAL ASSESSMENT

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**The project team conducted the financial operations assessment to better understand the state of operations and resulting financial implications. This section includes the analysis of the financial positioning of the overall PRCR Department budget based on the past budget activity records available from the Department.**

#### **METHODOLOGY**

The assessment considered a four-year window of budget activity from 2018 through 2021. First, the overall budget was reviewed to understand the economic health of the system. Next, a review of the various lines of revenues and expenses was examined to determine any dramatic changes with increases and decreases that took place with any line item. Once those line items were identified, they were highlighted to illustrate the occurrence and provide an understanding of the rationale for the significant change. They were also compared to historical experience with other park systems and their budget processes.

#### **BUDGET**

The 2022 budget is reflected in Figure 5.2 to illustrate the projected post-COVID-19 changes to operations from the preceding year. As with all public park and recreation systems across the country, Apex Parks, Recreation & Cultural Resources Department experienced a significant change in operations in 2020 due to the influences of the pandemic. In Figure 1, revenues in 2020 generated from programs dipped significantly from \$1,089,328 to \$573,371, a reduction of \$515,957. Several programs experienced significant reductions in their revenues during 2020. Those programs experiencing the greatest reduction in revenues included senior programs and trips (by 33%), youth leagues (by 72%), adult leagues (by 42%), community center (by 77%), and Cultural Arts Center rentals (by 25%) and programs (by 56%), and dog park passes (by 32%).

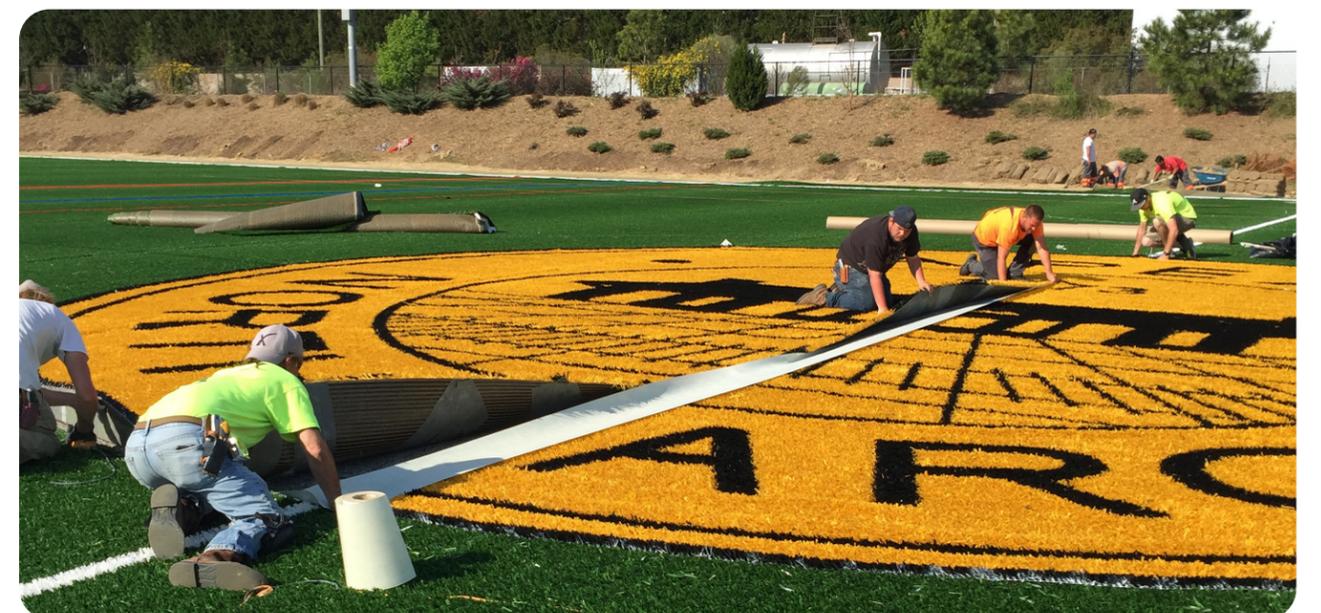


Figure 5.1 - Hunter Street Park Field



TOWN OF APEX		REVENUE						
Account Description	2018 Actual Account	2019 Actual Account	2020 Actual Account	2021 Actual Account	2022 Approved	Comparing 2020 to 2019	Comparing 2021 to 2019	Comparing 2021 to 2022
Revenue Source						Covid year	Pre covid	Post Covid
Non-Athletic Programs	236,150.18	217,275.15	35,960.79	101,468.61	150,000.00	17%	47%	67%
Fishing and Boating License	1,805.97	1,132.20	849.62	1,776.42	1,200.00	75%	157%	30%
Senior Programs	45,244.07	50,472.35	33,905.54	24,905.95	25,000.00	67%	49%	
Senior Trips	23,704.14	22,045.68	15,068.02	3,969.46	10,000.00	68%	18%	61%
Instructional Athletics	22,709.36	21,973.26	16,218.68	23,973.05	15,000.00	74%	109%	
Youth Leagues	176,480.26	97,637.65	54,279.29	134,799.98	100,000.00	28%	70%	
Adult Leagues	104,580.85	97,637.65	56,566.22	63,403.01	75,000.00	58%	65%	15%
Active Net Turkey Trot	13,086.44	10,529.82	12,087.01	1,605.08	8,000.00	115%	15%	
Community Center Rentals	115,905.43	216,131.77	49,056.26	106,853.25	65,000.00	23%	49%	
Miscellaneous POS	3,588.35	4,356.20	1,677.79	8,034.41	2,500.00	39%	184%	15%
Planning Documents	200.00	160.00	60.00	20.00	-	38%	13%	
Field Rentals	-	-	115,609.21	143,996.03	100,000.00			
CAC Rentals	98,397.57	92,024.54	69,121.98	9,767.04	50,000.00	75%	11%	
E-Tickets	29,666.36	35,727.07	27,448.12	3,555.36	20,000.00	77%	10%	
Grants	-	-	-	2,350.00	-			
Art/Sales Commissions	113.83	394.49	78.00	562.23	-	20%	143%	
CAC Programs	70,616.28	81,895.41	35,796.35	51,729.70	65,000.00	44%	63%	2%
Sponsorships	9,835.00	8,900.00	13,150.06	1,600.00	6,000.00	148%	18%	
Concessions	6,986.06	2,546.40	586.15	40.30	3,000.00	23%	2%	99%
Arts Center Miscellaneous	998.39	2,970.98	3,271.92	23.56	2,000.00	110%	1%	99%
Dog Park Passes	31,045.94	30,366.98	20,580.02	34,462.20	30,000.00	68%	113%	
Duke-Harris Plant	12,000.00	-	12,000.00	-	12,000.00			
Special Events	-	-	-	50.00	-			
CASE Fees	100.00	-	-	-	-			
<b>Total Revenue Program Revenue</b>	<b>1,003,304.47</b>	<b>1,089,328.43</b>	<b>573,371.03</b>	<b>718,945.64</b>	<b>739,700.00</b>	<b>53%</b>	<b>66%</b>	<b>3%</b>

Figure 5.2 - Revenue Data

The 2021 budget can be considered as a transition year from the influences of the pandemic into near 2019 normalcy. In 2022, it appears Apex Parks, Recreation & Cultural Resources anticipates a conservative recovery from the preceding two years of operations. Moderate change is reflected in most lines of business when comparing them with the 2021 actual results.

While revenues decreased 47 percent when comparing the COVID-19 (2020) year with the previous year (2019), operating expenses during that same timeframe did not decrease to parallel the reductions in revenue. When comparing the payroll in the COVID-19 year (2020) with the year prior, the personnel services costs increased 13 percent. This expense is understandable since the system continues to require maintenance personnel for the upkeep of parks and facilities as COVID brought more people outside trying to find safe activities to engage. Operations costs to maintain the system, however, have reduced 22 percent from \$1,704,856 to \$1,329,133.

**Salaries**

The standard for personnel services in parks and recreation systems is 54 percent of the overall operating budget. Those costs include all salaries, wages, and benefits for both full-time and non-full-time personnel. In 2022, Apex Parks, Recreation & Cultural Resources is projecting full-time personnel costs at 58 percent, not including contracted individuals.

Part-time salaries and personnel service expenses decreased by 7 percent during the COVID-19 (2020) year. Part-time salaries decreased in the year following the COVID-19 (2020) year by 31 percent. This is understandable as many program and park operations depend on part-time employees to sustain operations. However, the post-COVID-19-year (2021) personnel expenses increased overall by 20 percent when compared with the period before COVID-19 (2019). Proposed payroll costs are projected to be 27 percent higher in 2022 over the post-COVID-19-year 2021. Figure 5.3 illustrates that this percentage is influenced significantly in the part-time payroll which is projected to increase from \$202,582 to \$400,000.

TOWN OF APEX						
Account Description	2019 Actual Account	2020 Actual Account	2021 Actual Account	2022 Approved	Comparing 2020 to 2019	Comparing 2021 to 2019
<b>EXPENSES</b>						
<b>Department: 6200 - Recreation</b>						
<b>PS - Personal Services</b>						
					<b>COVID YEAR</b>	<b>PRE COVID</b>
Salaries	1,437,838	1,639,513	1,835,641	2,135,000	114%	128%
Part-Time Salaries	291,712	270,560	202,587	400,000	93%	69%
FICA	128,101	141,256	149,728	194,000	110%	117%
Group Insurance	265,016	327,057	313,760	418,900	123%	118%
General Retirement	112,586	148,065	185,638	243,200	132%	165%
401K General	71,736	81,870	90,827	106,800	114%	127%
Workers Comp	25,758	29,664	26,867	55,000	115%	104%
<b>Account Classification Total: PS - Personal Services</b>	<b>2,332,747</b>	<b>2,637,984</b>	<b>2,805,048</b>	<b>3,552,900</b>	<b>113%</b>	<b>120%</b>

Figure 5.3 - Expenses Data



**Expenses**

According to the National Recreation and Park Association, (NRPA) normalizing operating expenditure data by population served in the agency is a meaningful way of articulating and comparing spending. In Figure 5.5 it is noted that Operations Expenses increased in the COVID-19 year (2020) over the previous year 2019 by 111 percent. It is also important to note that Operational Expenses in 2021 decreased after the COVID-19 year (2020) by \$375,723. The budget nearly doubled in the proposed 2022 budget year when compared with the 2021 actual expenses. The fiscal year 2022 proposed operating budget is \$2,487,000 and the year-end budget in 2021 was \$1,329,133 which is an increase of \$1,157,867. The total operational expenditures for Apex PRCR Department have been budgeted to increase by nearly \$2 million (\$1,905,719) from 2021 to 2022. When personnel expenses are added to the 2022 Operating Budget the total budget allocation for the 2022 fiscal year is \$6,039,000. When measured against the population of Apex, 62,689, the per capita spending is projected to be \$96.33 which is higher than the average rate of other agencies in the Lower Quartile but lower than the Median Quartile at \$104 and the High Quartile number of \$180 (Per 2022 NRPA Parks Metrics Report).

The expense areas that may have contributed to lower operational costs included less travel and training, advertising, trip programs, provisions for meetings and events, contracted services, instruction programs, and professional services because of the COVID-19 impact. Programs and services associated with these accounts did not take place due to travel restrictions and reductions in training opportunities due to the pandemic. Most programs depend on part-time personnel and contract instructors. Apex Parks, Recreation & Cultural Resources experienced a reduction in revenues equal to \$515,957. The activities that were affected by this reduction included non-athletic programs, adult and youth sports, and the Cultural Arts Center programs, each of which depends significantly on part-time wages for instructors.

Some accounts experienced increased costs, including building maintenance and repairs, janitorial and departmental supplies, and software. Hardware improvements and software upgrades to computer systems can be completed during the times of low volume activity to improve program registrations and rental programs.

Another common expense in park and recreation systems during the pandemic year is maintenance and repair initiatives while facilities experienced reduced use and attendance. Budget increases were implemented to cover the costs of building maintenance and repair, custodial supplies, professional services, engineering, and surveying as illustrated in Figure 5.5.



Figure 5.4 - Town Staff and Equipment

Figure 5.5- Operating Budget

TOWN OF APEX Account Description	OPERATING BUDGET						
	2019 Actual Account	2020 Actual Account	2021 Actual Account	2022 Approved	Comparing 2020 to 2019	Comparing 2021 to 2019	Comparing 2021 to 2022
OP - Operations					Covid year	Pre-Covid	Post-Covid
Postage	1,108	548	1,245	5,000	49%	112%	75%
Telephone and Communications	20,932	24,582	21,136	30,100	117%	101%	30%
Printing	20,368	20,258	19,141	44,200	99%	94%	57%
Utilities	151,790	139,204	149,248	244,000	92%	98%	39%
Travel and Training	17,471	13,283	7,638	31,300	76%	44%	76%
Building Maintenance and Repair	78,074	285,368	88,619	186,500	366%	114%	53%
Equipment Maintenance and Repair	22,419	18,461	34,951	26,500	82%	156%	
Vehicle Maintenance and Repair	7,896	7,997	7,844	10,000	102%	100%	22%
Equipment Rental	14,143	14,591	11,562	19,500	103%	82%	41%
Vehicle Rental	-	389	-	1,500			
Facilities Rental	35,187	35,914	105	38,000	102%	0%	
Advertising	10,030	5,315	-	28,100	53%	0%	100%
Automotive Supplies	8,107	7,451	6,980	14,300	94%	87%	52%
Motor Fuel	28,520	26,255	35,789	40,000	92%	126%	11%
Office Supplies	2,794	3,609	6,721	27,500	129%	241%	75%
Janitorial Supplies	31,859	40,426	47,558	47,300	127%	149%	18%
Departmental Supplies	260,635	280,511	315,124	391,400	108%	121%	20%
Technology Hardware & Accessories	21,529	32,281	14,288	33,100	150%	66%	57%
Medical Supplies	1,059	-	-	-	0%	0%	
Athletic Supplies	75,553	80,602	51,486	122,000	107%	68%	58%
Senior Trips/Programs	77,432	65,029	39,421	154,300	84%	51%	74%
Meetings & Event Provisions	5,413	4,120	2,740	21,800	76%	51%	88%
Community Outreach Materials	-	1,415	-	2,500			
Uniforms	7,077	3,871	18,235	15,300	55%	258%	
Contracted Services	205,183	224,249	279,239	211,600	109%	136%	
Personal Protective Equipment	12,646	9,835	13,888	15,000	78%	110%	7%
Software License & Maintenance	14,037	16,447	25,475	46,100	117%	181%	45%
Contracted Services - Instructor Programs	332,816	190,271	71,963	486,600	57%	22%	85%
Professional Services	26,933	20,148	8,553	121,900	75%	32%	99%
Prof Svc- Engineering/Surveying	8,660	99,927	14,704	50,000	1154%	171%	70%
Landfill Tipping Fees	-	-	-	3,000			
Dues and Subscriptions	1,090	1,813	3,390	2,300	166%	311%	
Operating License & Permits	382	-	-	-	0%	0%	
Insurance	30,200	30,631	32,000	34,300	101%	106%	6%
<b>Total: OP - Operations</b>	<b>1,532,227</b>	<b>1,704,856</b>	<b>1,329,133</b>	<b>2,487,000</b>	<b>111%</b>	<b>87%</b>	<b>47%</b>



**PROGRAMS**

Apex Parks, Recreation & Cultural Resources offers a significant array of programs to users of the system. Programs have been assessed to determine the degree of success that occurs when offering activities to the community residents and non-residents. The process used when conducting this segment of the study was initiated from the program lists provided to the project team by Apex Parks, Recreation & Cultural Resources' Activite.net software.

Four years of program registrations from 2018, 2019, 2020, and 2021 were provided. Each year included a compilation of three program seasons: spring, summer, and fall.

Captured data included:

- > Year and season of the programs
- > Number of registrations (resident and non-resident) that took place
- > Total number of registrations for each season in a given year
- > Percentage of residents that participated in programs

Registration patterns were analyzed for each season and the years of operations. All programs were reviewed and any program that reflected three or fewer participants was highlighted. Typically, park systems focus on conducting programs that generate enough revenue to offset the cost of presenting the program or activity. Costs will include direct expenses such as the instructor or leadership staff and supplies. It is important to recover indirect costs such as marketing and administrative expenses and also take into consideration the use of the space intended for the program. It is not practical to occupy a space with a program that has low enrollment. When a program shows enrollment of three or fewer participants the potential for satisfying the criteria is limited and impractical to host the program. The presumption from the perspective of the assessment is that those programs were identified as not held.

Calculations were completed to determine the percentage of programs that were held against the number of programs that were attempted or offered. This calculation will provide insight into the level of registration success a program achieved when it was offered. Success in this case relates to the number of registrations for the class against the desired level of participation. For example, if the desired level of registration is ten participants and the registration for the program is three or fewer, it can be determined that the class would not be held. When reviewing the sequence of programs that illustrated low enrollment over several seasons, the project team's perception coming from the analysis is that the programs may need to be reinvented or updated to increase the likelihood of the program generating more than three participants.

Following (Figure 5.6, Figure 5.7, Figure 5.8, Figure 5.9,) are the results of this analysis for each of the remaining three years of programming in the department.

2018 CLASS OFFERINGS AND RESULTS								
Enrollment	Res	Non Res	Total	% of Residents	Classes Offered	Classes Held	% of Success	Classes Canceled
<b>Spring 2018</b>	4285	1088	5373	0.80	279	237	0.85	41
<b>Summer 2018</b>	2972	573	3545	0.84	249	209	0.84	40
<b>Fall 2018</b>	5511	1707	7218	0.76	286	233	0.81	53

Figure 5.6 - 2018 Class offerings and Results

2019 CLASS OFFERINGS AND RESULTS								
Enrollment	Res	Non Res	Total	% of Residents	Classes Offered	Classes Held	% of Success	Classes Canceled
<b>Spring 2019</b>	4943	1320	6263	0.79	296	255	0.86	41
<b>Summer 2019</b>	3214	584	3789	0.85	257	230	0.89	27
<b>Fall 2019</b>	5863	1640	7503	0.78	292	239	0.82	53

Figure 5.7 - 2019 Class offerings and Results

2020 CLASS OFFERINGS AND RESULTS								
Enrollment	Res	Non Res	Total	% of Residents	Classes Offered	Classes Held	% of Success	Classes Canceled
<b>Spring 2020</b>	4400	1143	5543	0.76	300	213	0.71	91
<b>Summer 2020</b>	431	131	562	0.77	324	61	0.19	256
<b>Fall 2020</b>	1527	650	2177	0.70	311	99	0.32	212

Figure 5.8- 2020 Class offerings and Results

2021 CLASS OFFERINGS AND RESULTS								
Enrollment	Res	Non Res	Total	% of Residents	Classes Offered	Classes Held	% of Success	Classes Canceled
<b>Spring 2021</b>	1807	595	2402	0.75	287	109	0.38	180
<b>Summer 2021</b>	2177	517	2694	0.81	260	203	0.78	57
<b>Fall 2021</b>	5328	1385	6714	0.79	301	238	0.79	63

Figure 5.9 - 2021 Class offerings and Results

The analysis indicates that during (non-COVID-19) years the system reflects significant success when calculating the number of programs that are offered and the degree of success of those programs. For example, in 2018 all three seasons show a success rate of between 81 and 85 percent. The benchmark standard the project team uses to demonstrate high levels of success is 70 percent. At the same level of success, 2019 reflects registrations between a robust 82 to 89 percent level of success. What makes these levels of success impressive is the total number of programs that are offered in any given season. The number of programs offered during those two years ranges from 249 in the summer of 2018 and 296 programs in the spring of 2019. Those levels are remarkable when comparing user volume with the number of programs that are conducted in a given season.

The levels of success in 2020 and 2021 reflect the influences of COVID-19. Spring 2020 started fairly well at an acceptable standard of 71 percent, followed by a year of COVID-19-influenced performance from the summer of 2020 through the spring of 2021. The level of program success dipped to 19 percent in the summer of 2020 to a high of 38 percent success rate in the summer of 2021. It is important to note that staff continued their efforts to offer programs during the three seasons of COVID-19 with as many as 324 classes offered to potential users.

When reviewing the revenue budgets for the four years studied, it can be determined that the programs most negatively influenced by the pandemic during the 2020 and 2021 years include:

#### Reduction in Revenues

- › Non-Athletic Programs
- › Senior Programs and Trips
- › Youth Leagues
- › Adult Leagues
- › Cultural Arts Center Programs

#### Reductions in Expenses

- › Salaries and Personnel Costs
- › Printing
- › Utilities
- › Travel and Training
- › Maintenance and Upkeep
- › Supplies for Office and Programs
- › Trip Programs
- › Contract Programs and Services
- › Special Programs



Figure 5.10 - Camping Program

#### SUMMARY OF FINDINGS

- › There is a need to develop refined costing models to ensure operational costs for delivering a program are recovered by the revenue generated through program registration.
- › Assess the economic relationship between Apex Parks, Recreation & Cultural Resources, and contract instructors to strive to achieve a 60/40 relationship where the department retains 40 percent of the overall revenue generated in these program structures.
- › Ratio of instructor to participant (1 to 10 or 1 to 15) by program is followed by the established standards.
- › Programs offered versus programs held should meet the minimum number of participants to hold the class.
- › PRCR's class, program or league capacity levels are considerably lower than those recommended by the National Recreation and Parks Association (NRPA) and the project team. Their recommendations indicate that classes, programs, and leagues should be at 75 percent capacity to be held. This recommendation is not a goal, nor set for the parameters within their current or future program capabilities. It is however, recommended that PRCR Department evaluate KPI's as well as class, program, and league size to make appropriate decisions regarding whether a program, class or league is performing in comparison to an year of success pre-COVID.

