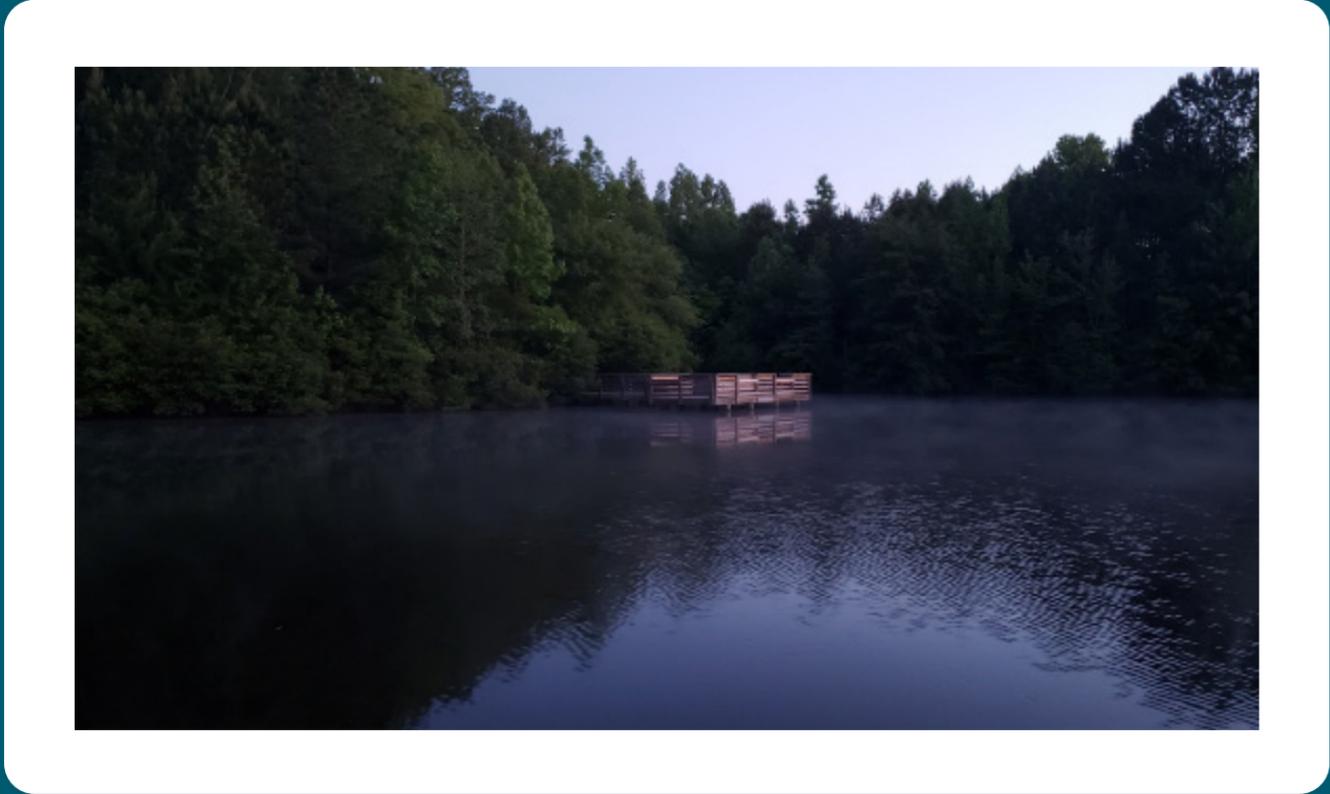


06 | FUNDING + REVENUE

IN THIS CHAPTER

- Existing Sources
- External Funding Sources
- Capital Funding Source
- User Fees
- Grants
- Tax Funding Sources
- Franchises + Licenses
- Build on Financial Strengths





Parks and Recreation systems across the United States have learned to develop a clearer understanding of how to optimize revenue generation options to support the parks and recreation services with limited tax dollars available. They no longer rely on taxes as their sole revenue option but have developed new sources of revenue to help support capital and operational needs. This chapter outlines various funding and revenue generating opportunities for the Town of Apex.

EXISTING SOURCES

The following sources are financial models that the Town of Apex Parks, Recreation and Cultural Resources Department currently implements and alternative sources to consider in supporting the recommendations outlined in the Master Plan. This list is intended to serve as a resource to fit a variety of projects, operational needs, or partner-specific initiatives as well as provide other strategies beyond these suggestions.

The Parks, Recreation and Cultural Resources Department currently uses or previously used the following type of funding sources. These fees help offset operational costs, user fees for recreation programs, reservations for community rooms and picnic shelters, and permits for special use areas in the parks.

- › Program fees for programs, classes, sport leagues, lessons, trips and events
- › Permit fees for access to special facilities for special events, picnic shelters and rental of space in community facilities.
- › Pass fees for dog park
- › Fees for access of leagues and tournaments
- › Concessions

Based on the review of the program assessment for the Department, they recover nearly 40% of the operational budget with earned income. The Department has a pricing policy that covers primarily direct costs associated with the programs they provide. Classifying programs by core essential, important and value added would provide clarity for when and how to price services in the future.

EXTERNAL FUNDING SOURCES

External funding sources are opportunities for the staff to increase cost recovery in existing facilities and future facilities they may develop. The following are funding options that could be developed over time. Usually, this requires a dedicated staff to focus on business development and pursue some of these sources of revenue.



Corporate Sponsorships

Corporate Sponsorships are currently in place and offset the costs of supplies and services in some recreation programming and special events. This revenue-funding source allows corporations to invest in the development or enhancement of new or existing programs and events put on by the Department.

Implication for Apex: While the Town already uses this funding source for special events, the opportunity to leverage this source of revenue usually requires a full-time position. Corporate sponsorships could be included in the new sports complex for field naming rights, tournaments, and the complex itself.

Crowdfunding

This is a web-based source which aggregates funds from a group of people who are willing to support a specific project, be it program or facility related. Some sites that successfully utilize this method are www.kickstarter.org, www.indiegogo.com and www.mightycause.com. This funding strategy is an opportunity for the Town to explore and is best used for individual projects that serve a special interest group. IOBY, which stands for In Our Backyard (www.ioby.org), is a regional Crowdfunding platform operating in New York, Detroit, Pittsburgh and other major cities that crowdfunds for community based programmatic or capital needs.

Implication for Apex: this funding source could be managed through a non-profit partner, either through the Town, or a newly created Parks Foundation that can support the Department's needs. The small scale of estimated revenue, typically less than \$100,000, could encourage matching donations from corporate partners.

Partnerships

The Town currently implements this funding strategy in nominal amounts with various partnerships that are joint development funding sources or operational funding sources between two separate agencies, such as two government entities, a non-profit and a governmental entity, or a non-governmental business. Two partners jointly develop revenue producing park and recreation facilities and share risk, operational costs, responsibilities and asset management, based on the strengths and weaknesses of each partner. This could include the school district or the local hospital in development of community recreation spaces such as a pool that benefit school kids and also a therapy use for residents with health and wellness facilities.

Implication for Apex: Continue to build upon partnerships and develop specific policies to manage public, private, and non-profit partnerships differently. This could be in the form of partnerships for sports fields, a community center, nature centers and special use programs and events the Town provides now.

Foundations

The Town has not implemented this funding option, but should consider it as the Town grows, and as opportunities become available, but it is not a consistent or reliable source of funding. These dollars are raised from tax-exempt, non-profit organizations established with private donations in promotion of specific causes, activities or issues. They offer a variety of means to fund capital projects, including capital campaigns, fundraisers, endowments, sales of items and other types of events.

Implication for Apex: The Town should establish a standalone Parks Foundation dedicated to helping the Department accomplish its mission through fundraising and financing capital projects and services. The Department should also become a member of the National Association of Park Foundations (<https://www.the-napf.org/>) to identify best practices of other foundations nationwide and in North Carolina.

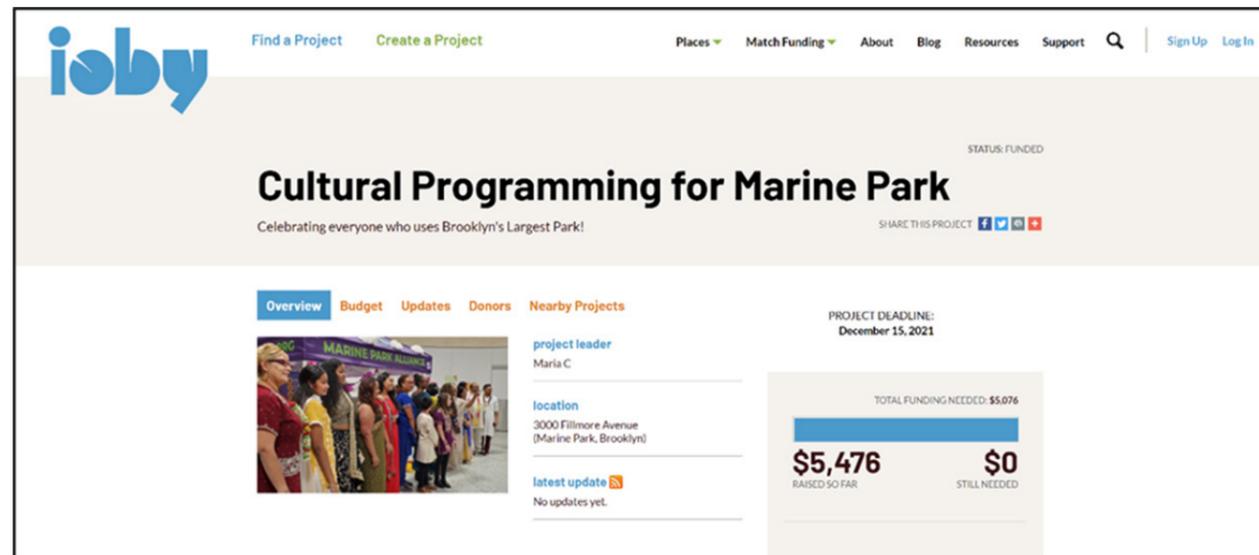


Figure 6.1 - IOBY Platform



Figure 6.2 - Foundation/ Friends Group



Friends Groups

The value of this strategy is in the form of time, labor, funding and/or capital. These groups are formed to raise money, typically for a single focus purpose that could include a park facility or program that will better the community as a whole as well as their special interests.

Implication for Apex: Apex should consider establishing Friends' groups to help raise money for capital needs, operational and maintenance needs for some special facilities in Apex such as a nature center and some special use parks like a Universal Playground. Friends' groups could also be established in the Town for neighborhood parks to support clean ups and maintenance and repair in parks.

Volunteerism

This revenue source is an indirect revenue source where individuals donate time to assist the Department by providing a product or service on an hourly basis. This reduces the organization's cost in providing the service and builds advocacy into the system. These hours are converted to "in-kind" dollars that can be used as matching money for grants the Department applies for in the future. The Department uses this resource now with volunteers working in the senior center, special events and youth sports.

Implication for Apex: The Town currently implements this funding strategy, but it could be expanded. Many volunteer programs are available throughout the Department and there is an opportunity for systemization and improved utilization. The goal should be to reach 12-15 percent of total paid staffing hours to be supported by volunteer hours to help operate the system and add additional staffing assistance. This usually takes a full-time or dedicated part-time volunteer coordinator to achieve this hourly volunteer goal, but it can be done. Tracking volunteer hours and applying the value at \$22 an hour can be used for an in-kind match for state and federal grants.

Private Donations

Private Donations may also be received in the form of capital and operational funds. This also can include land for new parks or for conservation purposes. It could also include use of existing facilities for all types of recreation experiences, recreation equipment, art, or in-kind services. It can also include donations for a scholarship program for low-income families.

Implication for Apex: Private donations require a strategy to identify people capable of investing in the park system's future. Working with a park foundation could enhance these opportunities greatly if developed and put into action for the long-term development of the park and recreation system in Apex.



Figure 6.3- Fundraising Event

Special Fundraisers

Many park and recreation agencies have special fundraisers on an annual basis to help cover specific programs and capital projects.

Implication for Apex: Currently, there are not any special fundraisers for parks and recreation in the Town. If the Town decided to pursue this revenue source, it requires a cost/benefit analysis of staff time required to put on the event versus the return on investment (ROI). Ideally, if a new Parks Foundation were created it could conduct an annual fundraiser to help generate the revenue in one large event e.g., the Parks Alliance of Indianapolis.

CAPITAL FUNDING SOURCES

Capital Fees

Capital fees are added to the cost of revenue producing facilities such as golf courses, pools, recreation centers, hospitality centers and sports complexes that are lifted after the improvement is paid off. The Town operates special facilities in Apex now and charges user fees to cover operating expenses and contribute toward the cash balance that can be used to reinvest into the community centers and new sports complex. This could be applied to the new sports complexes, or new indoor senior center.

Implication for Apex: The Town should consider a capital fee for their sports field fees and their community centers that can be dedicated to capital improvements for the future especially in replacing all weather turf fields that normally need replaced every ten years.

Development Fees/Impact Fees

These impact fees are assessed on the development of new residential properties with the proceeds to be used for parks and recreation purposes, such as acquiring land for new parks as well as creating neighborhood and community parks for development. The Town has a land dedication fee of \$3,700 for parks now where the developer pays the fee for the number of acres developed or gives land to the Town. The Town does not have a park development impact fee that treats parks as infrastructure similar to roads and sewers in the community. A development impact fee can be \$1,500 to \$5,000 per house developed depending on the value of the house being developed to provide infrastructure improvements for parks, trails, and community facilities beyond land.

Implication for Apex: The Town does have a land dedication fee in place now to help them stay ahead of the growth for acquiring park land. This funding source is in place, but the Town is growing so fast that it should be considered in the future to include an infrastructure fee as well for park and recreation improvements. This could be a major source of funding for the Town in the development of new neighborhood and community parks and trails in the Town for the future.

Public Private Partnerships (P3)

These P3 arrangements are between the Town and a private company to contract and finance infrastructure projects. The private sector financing can help to bring projects in on time and under budget with risk held by the partners. The Town is required to provide payment over an identified period of time from an existing or newly developed source or incorporate capital fees to users of the project.

Implication for Apex: The Town could explore this opportunity, particularly for future recreation development such as another community center, aquatic center or a signature park.



Hotel Transient Taxes:

Hotel Transient Taxes are used to help finance many parks type projects across the United States. This source is usually for revenue producing facilities that create events and draw people to stay in the Town. This could be applied to sports complexes and special event areas.

Implication for Apex: This funding source could work for development of future sports complex facilities as well as for a special event area that draws people into the Town. An example of this occurred when Apex received recent funding from a Wake County Tax Program.

USER FEES

Recreation Service Fees

This is a dedicated user fee, which can be established through a local ordinance or other government procedures, for the purpose of constructing and maintaining recreation facilities. The fee can apply to all organized activities, which require a reservation of some type or other activity, as defined by the local government. Examples of such activities include adult basketball, volleyball, tennis, pickleball, softball leagues, youth baseball, soccer, golf, football and softball leagues and special interest classes.

All special facilities charge user fees to cover operating expenses and contribute towards cash balances that may be used to reinvest in the cost of sports center operations or facilities.

Implication for Apex: The Town needs to complete an updated fee survey and pricing policy to determine where current pricing is and explore the implementation feasibility of this strategy at existing facilities, as well as potential future ones such as a new aquatic facility.

Fees and Charges

Fees and charges must be market-driven and should be in line with charges in comparably sized cities based on both public and private facilities in the region. The potential outcome of revenue generation is consistent with national trends relating to public park and recreation agencies, which generate an average of 30 to 40 percent of operating costs from fees and charges. The Town has done a good job utilizing user fees to offset operational costs for programs, classes, events, dog parks, rentals and permits.

Implication for Apex: The Department already has this source in place. The Town currently implements this funding strategy. Fees and charges generate a good portion of the Department's budget now. There are other opportunities to explore ways user fees can assist generating revenue for the Department as well as where the user receives a higher benefit than the general taxpayer and where they should pay for a higher level of exclusive use.

Permits (special use permits)

These special permits allow individuals to use specific park property for their financial gain. The town either receives a set amount of money or a percentage of the gross service that is being provided.

Implication for Apex: The Town has some mobile food permits and is they are working to determine the ongoing need to implement more permits. The town also permits caterers to provide food at events held in their permitted facilities and this practice needs to continue as a viable funding source for the Department.

Reservations

This revenue source comes from the right to reserve specific public property for a set amount of time. The reservation rates are usually set and apply to meeting rooms for weddings, reunions, special use facilities like sports tournament or other types of facilities for special activities.

Implication for Apex: Reservations are already in place at all community park picnic areas, sports facilities and for reservable public buildings. Now is an opportune time to reevaluate rental pricing based on the market, the quality of the experience and differential pricing using prime time / non-prime time, weekday / weekend rates and other facility rentals.

GRANTS

CDBG Funding

Funding is received in accordance with the Community Development Block Grant (CDBG) Program's national objectives as established by the U.S Department of Housing and Urban Development. Funding may be applied to such programs as Infrastructure Improvements, Public Facility and Park Improvements, Human Service Enhancements, Lead-Based Paint Education and Reduction, Housing Education Assistance, Economic Development and Anti-Poverty Strategies.

Implication for Apex: This funding source could be used for scholarships or could be used for other purposes in the park system that can help improve neighborhood park related facilities. The town should consider hiring a contracted grants coordinator to help them develop and acquire grants for the future.

TAX FUNDING SOURCES

Parks and Recreation "Special Park and Recreation Sales Tax"

One new tax that the town could consider, if appropriate, is a parks and recreation "special park and recreation sales tax." This tax does not require voter approval. A special sales tax would provide dedicated revenues exclusively for parks and recreation functions such as acquiring park land development of recreation and park facilities and could come in the form of a .5 cent sales tax with much of the tax being paid by people who live outside of the town but use town services.

Implication for Apex: This funding strategy is an opportunity for the town to consider implementing. This revenue source has been highly successful in funding park systems nationwide, most recently in Hilliard, Ohio that provides \$8 million a year for parks development and improvements in the town over 20 years. This tax is extremely popular in high traffic tourism type cities for county and state parks.

Special Improvement District/Benefit District

Taxing districts established to provide funds for certain types of improvements or affected properties and benefit a specific group of park related needs: landscaping, acquisition of art, and supplemental services for improvement and promotion, including recreation and cultural enhancements.

Implication for Apex: This funding strategy is an opportunity for the Town to explore implementing. This may require voter approval in North Carolina and would provide an elevated level of economic impact to the Town.



Food & Beverage Sales Tax

The tax is usually associated with fast food. Cities have used this tax where they have a food and beverage sales tax on fast food. They receive a portion of this funding source for operational or capital expenses.

Implication for Apex: This funding strategy is an opportunity for the Town to explore the feasibility of implementation. This tax is usually in the .250 percent to .5 percent category on fast food only.

Earnings Tax

Many cities use an earning tax to support community facilities that benefit citizens and people who work in the Town. Westerville Ohio used this source to help fund their community center.

Implication for Apex: It would be a dedicated source of funding to help develop a community recreation facility such as a future pool for the community.

FRANCHISES AND LICENSES

Pouring Rights

Private soft drink companies that implement agreements with organizations for exclusive pouring rights within facilities. A portion of the gross sales goes back to the organization.

Implication for Apex: Currently, the Town does not have this funding strategy in place. There may be an opportunity for a Townwide vending agreement. The volume of sales must be high enough to qualify, and further analysis would be required.

Private Contractors

Private contractors are used for classes not operated by park programmers and is periodically researched for viability. This funding source is a contract with a non-governmental business to provide and operate desirable recreation activities financed, constructed, and operated by the private sector, with additional compensation paid to the organization.

Implication for Apex: The Town currently does not use this funding strategy but should consider where appropriate.

Advertising Sales

Advertising can be included on scoreboards at sports complexes and some of these opportunities may exist already but could be included in a Recreation Program Guide and other areas of parks operation. This revenue source is for the sale of tasteful and appropriate advertising on park and recreation related items such as in an organization's printed materials, on scoreboards and other visible products or services that are consumable or permanent and expose the product or service park attendees.

Implication for Apex: The Town does very little in this funding area but it could have real potential in the department.

Inter-local Agreements

The Town is already collaborating with the school district but increased collaboration is possible. Contractual relationships between two or more local units of government and between a local unit of government and a non-profit organization for the joint usage and development of sports fields, regional parks, or other facilities.

Implication for Apex: The Town currently implements this funding strategy, and other areas could benefit from this type of revenue generation.

BUILD ON FINANCIAL STRENGTHS

The Department displays an above average management of financial and budgeting functions when compared to most park and recreation agencies. The Department experienced some revenue volatility due to COVID-19. The strategies presented are intended to build on the Department's strengths. The Department may consider the following principles and identify new potential strategies when setting operational and budgetary goals.

Revenue Policies

The Department performs an annual budget review of programs and operations, as well as an annual review that is an assessment of the revenue recovery and operating costs for each program. The next step in revenue formulation is to update the pricing policy and earned income policy.

A pricing policy is designed to provide the park systems consistent guidelines in pricing admissions, facilities and program services. This allows users to better understand the philosophy behind how a service is priced and the appropriate value. Furthermore, the level of service and benefit users receive is translated into a price that is based on a set subsidy level, the level of individual consumption, or exclusivity that is involved above what a general taxpayer receives. The subsidy levels should be in line with the Department's program and pricing plan. The pricing policy is expressed in terms of the percentage of cost recovery the agency is trying to recover in proportion to the agency's overall budget and the activity goal within a specific core business.



Figure 6.4 - Fishing Pier at Apex Community Park