

EXHIBIT A



FINANCIAL SUSTAINABILITY DEPARTMENT POLICY

Purpose

The City of Sandy Parks and Recreation Department's Financial Sustainability Policy intends to create organizational resilience by way of logical, intentional, and thoughtful guidelines for investment and spending decisions. The strategy encourages tax investment and revenue generation strategies and practices that are fair, equitable, and responsible. This policy is necessary to ensure the Department's financial stability in both the near and long term.

The Financial Sustainability Policy will guide investment and spending choices as the City responds to economic realities, growth competing priorities, demographic shifts and evolving community needs, and climate threats.

Policy Statement

In alignment with the City Council's 2021-2023 Goals [*Goal 5: To Maintain financial strength and sustainability; Action a: Diversify revenue sources, analyze new revenue streams, and look at cost recovery where possible*] the Department's Financial Sustainability Policy grounds cost recovery expectations and the spending of taxpayer dollars in a philosophical underpinning that affirms a commitment to equitable investment, financial discipline, and long-term fiscal health.

The bi-annual City of Sandy budget ultimately determines the amount of taxpayer support that can be made available for park and recreation services which results in understanding the degree to which subsidy investment can be made and to which services, and the degree to which user fees will be assessed and to which services.

Cost Recovery/Subsidy

Cost recovery refers to offsetting the costs (expenses) of delivering services by way of revenues generated from fees and charges, sponsorships, donations, grants, and other alternative revenue streams. Alternatively, subsidy represents a tax source. It is granted by a governmental entity; typically to remove some type of burden, and often considered to be in the overall interest of the public. It is also given to promote a social good or an economic policy.

For example, a cost recovery level of 75% simply means that for each dollar spent on a service, 75-cents are generated from a revenue source (i.e., fees) with the remaining 25-cents covered by subsidies (i.e., taxes).

Department Funding/Revenue Sources

The City of Sandy Parks and Recreation Department is supported by a number of revenue sources which all contribute varying levels of funding to support the breadth of park and recreation services provided to the community. The degree to which each of these sources is relied upon can shift based upon the economy, market behaviors, and City-wide policy; however, property taxes are the primary source of funding for the Parks and Recreation Department.

Tax Sources

- General Fund (property taxes paid by City of Sandy Residents)

Alternative Sources

- Parks System Development Charges (SDCs)
- Fee in Lieu of Park Land Dedication
- Trustee Account
- Fees and Charges for Service
- Grants

Service Categories

The development of categories which include *like* services are important when it comes to justifiable and equitable allocation of subsidy, cost recovery levels, and assignment of budget and general ledger lines to account for a category's fiscal performance (e.g., a service category such as *Beginner/ Intermediate Programs* would include "like purpose" activities such as youth basketball, kinder dance classes, or beginner guitar regardless of age or special interest).

The benefits of this type of approach are two-fold. First, it is inefficient for the Department to determine cost recovery expectations by each individual service including facility, activity, or event. Secondly, categorizing by "type of service" or "likeness of service" discourages attempts to determine fees and charges (and therefore cost recovery decisions) based upon special interests, age-based services, or individual values.

The City of Sandy Parks and Recreation Department provides many services annually to the community. The following Service Categories represent the Department's service menu and include Service Category definitions as well as example services.

-Advanced/Competitive Level Classes & Activities: Classes and activities designed to advance or master a skill. In the case of team or league play, scoring is kept with winning as a primary goal. *Examples: Power Yoga, Parkour, Softball Leagues*

-Beginner/Intermediate Level Classes & Activities: Classes and activities designed to teach or engage at an introductory or novice level. In the case of team or league play, there is no-scoring with a focus on building foundational skills. *Examples: Kinderdance, Yoga & Stretch, Music and Movement, Skyhawks, 3/4th Grade Youth Basketball, Intermediate Parkour, Intermediate Guitar Lessons, 5/6th grade Youth Basketball*

-Community Events: Annual events designed to be inclusive of the entire community regardless of age, ability, family composition, or special interest. *Examples: Christmas Tree Lighting, Music & Movies in the Park, Holiday Lights at Meinig, Longest Day Parkway*

-Drop-in Activities: Self-directed activities which include staff oversight and supervision and do not require registration. *Examples: Community/Senior Center Lounge Drop-in, Games & Puzzles, Cooling Shelter, Open Gym, Silvertones*

-Education & Enrichment Activities: Classes and activities designed to educate and teach personal, social-emotional, and life skills. *Examples: Mental Health Classes, Medicare Classes, Babysitting Classes*

-Human Services: Resources provided for the prevention and remediation of life challenges and to support those who need assistance ensuring independence and community connection. *Examples: Meals on Wheels, Transportation Services, Case Management, Referrals, Energy Assistance, Congregate Meals*

-Open Access: Access to parks, trails, and facilities where activity is self-directed. No staff oversight is provided. *Examples: Parks, Trails, Dog Park, Playgrounds, Skate Park, Sports Courts*

-Rentals: Reservations which provide exclusive use of public spaces and places by a group or individuals. *Examples: Sports Field Rentals, Auditorium Rental, Art Room Rental, Dining Room Rental, Gazebo Rental, Plaza Rental, Community Garden Bed Rentals*

-Social Equity Services: Services that remove barriers and constraints to accessing park and recreation opportunities. *Examples: Inclusive Egg Hunt, Shower Cart, Todos Juntos*

-Special Events: Events designed and targeted towards a specific market or market niche'. *Examples: Noah's Quest, Corn Cross, Teen Egg Hunt, Senior Egg Hunt, Senior Outings/Trips, Mountain Festival Kids' Events*

Note: Service Categories listed above are in alphabetical order.

Common Good Services or cause and purpose driven services intend to impact social, economic, and environmental issues and needs; aligns with the fundamental purpose and mission of the Department. Typically, there are no like services provided by the non-profit/Non-Governmental Organizations (NGO) or private sectors.

Exclusive Benefit Services or specialized services intend to serve personal interests with competition from the non-profit/ Non-Governmental Organizations (NGO) and private sectors which offer like services being common practice.

Common Good (justification for greater subsidy investment)

- Community building

- Provides accessibility to marginalized/under-represented populations
- Broad appeal to a wide audience
- Equity services

Exclusive Benefit (justification for greater cost recovery expectation)

- Individualized, special interest
- Requires higher competency/ability level to participate
- Private sector competition exists
- Specialized activities

Financial Sustainability Strategy

The City of Sandy Parks and Recreation Department’s Financial Sustainability Strategy Continuum presents the degree to which financial resources will be spent and expenses will be recovered and managed. It is grounded in the differentiation of parks, recreation, and senior services on the basis of who benefits should pay. Economists have differentiated goods and services in the economy in this manner for decades and have designated three types of goods and services: community benefit, dual benefit, and individual benefit.

The Financial Sustainability Strategy Continuum acknowledges varying levels of service. This strategy shifts from one which suggests that all services should be provided at no or low cost for everyone to an equitable and just philosophy where subsidy allocation decisions are based upon “beneficiary of service”. In this conceptualization, each type of service has a set of specific characteristics that provide a rationale for who should pay (e.g., taxpayers, the individual, or both) and to what degree. Ultimately, this aligns subsidy allocation, cost recovery goals and expectations with beneficiary of service. Essentially, those who benefit from a service should pay for that service.

The four-year Financial Sustainability Strategy Continuum includes the Department’s Service Categories and short-term cost recovery/subsidy goals and expectations. The continuum is a graphic representation of the Department’s tax use and revenue enhancement strategy.

The City of Sandy Parks and Recreation Department Financial Sustainability Strategy Continuum 2023-2026 are included in Appendix A of this policy.

Updating Investment Expectations

Service category cost recovery performance should be reviewed annually, and subsidy (tax dollar) investment goals should be analyzed and updated at least every four years or more frequently as necessary.

Pricing – Fees & Charges

Several pricing methods are utilized by the Department in order to establish fees and charges. The principal method for establishing services fees will be cost recovery pricing which is defined as determining a fee based on established cost recovery goals.

Other pricing methods may be utilized by the Department, however, any strategy or method used will ultimately require that cost recovery goals or subsidy allocation expectations be met. Common alternative pricing methods include the following options which can be used based upon market behaviors, the competition, and other relevant considerations.

- *Market (demand-based) pricing* results in pricing based on demand for a service or what the target market is willing to pay for a service. The private and commercial sectors commonly utilize this strategy. One consideration for establishing a market rate fee is determined by identifying all providers of an identical service (i.e., private sector providers, other municipalities, etc.), and setting the highest fee. Another consideration is setting the fee at the highest level the market will bear.
- *Competitive pricing* establishes prices based on what similar service providers or close proximity competitors are charging for services. One consideration for establishing a competitive fee is determined by identifying all providers of an identical or similar service (i.e., private sector providers, other municipalities, etc.), and setting the mid-point or lowest fee.
- *Value-based pricing* is a pricing strategy in which the price of a product or a service is decided on the basis of perceived value or benefit it can provide to a customer. Value based pricing is more evident in places or markets where exclusive products are offered which offer more value than the generic or standard products.
- *Penetration pricing* has the aim of attracting customers by offering lower prices on services. While many may use this technique to draw attention away from the competition, penetration pricing often results in lost revenue and higher subsidy requirements. Over time, however, an increased awareness of the service may drive revenues and help organizations differentiate themselves from others. After sufficiently penetrating a market, organizations should consider raising prices to better reflect the state of their position within the market.
- *Premium pricing* establishes prices higher than that of the competition. Premium pricing is often most effective in the early days of a service's life cycle, and ideal for organizations that offer unique services. Because customers need to perceive products and services as being worth a higher price tag, an organization must work hard to create a value perception.
- *Bundle pricing* allows for the sale of multiple services for a lower rate than customers would pay if they purchased each service individually. Bundling can be an effective way of selling services that are

poor performers and can also increase the value perception in the eyes of customers - essentially giving them something for a reduced rate.

- *Differential/Dynamic pricing* follows the "law of demand" by supporting a key pricing principle: some customers are willing to pay more than others. Differential pricing is the strategy of selling the *same* service to *different* customers at *different* prices (ex. Residential Discount vs Fee). Differential pricing enables organizations to "profit" from their customers' unique valuations (ex. Prime time or surge pricing).

In the event a Service Category's subsidy/cost recovery goal is higher than current cost recovery performance and fee increases are required, prices may need to be raised incrementally in accord with market acceptance to optimize revenue generation. However, if the market does not respond favorably to the increase, the service may require divestment if the subsidy investment required cannot be justified based upon beneficiary of service.

In the event a tax dollar investment/cost recovery goal is less than the current level of recovery the established fee will remain the same to ensure that there is no loss of revenue or negative impact on the Department's financial condition.

Partnerships

Partnerships are advantageous collaborations that position both the Department as well as participating partner organization(s) to efficiently utilize resources leading to cost effective and efficient service delivery, bridging of markets, reductions in duplication of services and fragmentation of resources, and cooperative capital development and/or improvements.

A condition that must be met in order for the Department to enter into a partnership agreement includes that of reciprocal benefit. To prevent the Department from simply becoming a granting body to any organization, the Department and its partner identify the value of the mutual contributions brought forth to the agreement and arrangement. There will be equal value and benefit to each organization resulting from any partnership ensuring that the Department is receiving fair and just value on behalf of taxpayers in return for any resource investment and commitment.

Reinvestment

The Financial Sustainability Policy guides re-investment into the park and recreation system such as in those services which require extensive and essential investment. Methods for reinvestment may include a retained earnings fund, an enterprise fund, or similar that will allow for the re-distribution of excess revenues generated from Department services such as Specialized Business Services that are individualized, highly specialized and/or exclusive, and expected to generate a minimum of 100% cost recovery to a retained earnings, enterprise, or similar fund. This fund may be used to support service interests such as social equity and capital investments in park and recreation infrastructure that require short, preventative, and long-term maintenance alleviating pressure and reducing reliance on the City's

General Fund.

Needs Based Assistance

The Department ensures that services are accessible to residents who may be considered economically-disadvantaged, underserved, under-represented, or marginalized, and who may require assistance and support in accessing parks and recreation services. This will require that funds are appropriated and fairly and equitably distributed throughout sub-communities in need. Applications will be made available allowing for the neediest individuals and families in order to have access to reduced rates that can both satisfy need for assistance as well as provide equitable subsidies across the system.

Appropriations will be determined as follows.

1. Projected financial aid needs.
2. Award thresholds.
3. Anticipated total population needing to be served.

Awards will be issued to City of Sandy residents, defined as those who live within the City limits. Financial assistance will be based upon a “pay what you can” model and the process will be evaluated annually. Additional funds will be sought by fundraising and using a “round up” or “pay it forward” option and will be made available within the registration/point of sale system.

The Department intends to reduce barriers to entry by not requiring financial records or disclosures, rather, relying on an “honor system” for the application process requesting information from applicants specific to their needs and ability to pay only. Applications will be kept on file for one year from application.

Capital Investment

The City of Sandy follows a biennium budget process and the budget philosophy is focused on expenditure control. If the Parks and Recreation Department under-expend and brings in more revenue than projected/allocated, these funds will be held over as a beginning balance for the subsequent budget. Beginning balance funds are transferred from year to year and can be used for Capital Investment Projects.

Success Metrics

Success metrics will be used as a means to evaluate whether or not each service is in compliance with established cost recovery goals (as indicated on the Financial Sustainability Strategy Continuum) as well as other efficiencies and intended outcomes. In the event success metrics are not being met, items 1-6 below the Success Metrics list outline actions to address gaps between current performance and success metrics.

Success Metric 1: Financial Viability: a service must meet its minimum tax dollar investment/ cost recovery goal as noted on the Financial Sustainability Strategy Continuum.

Success Metric 2: Operational Efficiency: services should meet 75% or more of capacity (maximum) or realize a minimum increase of 10% usage during each service cycle to ensure efficiency of resource investment (*excl: events where capacity is difficult to establish*).

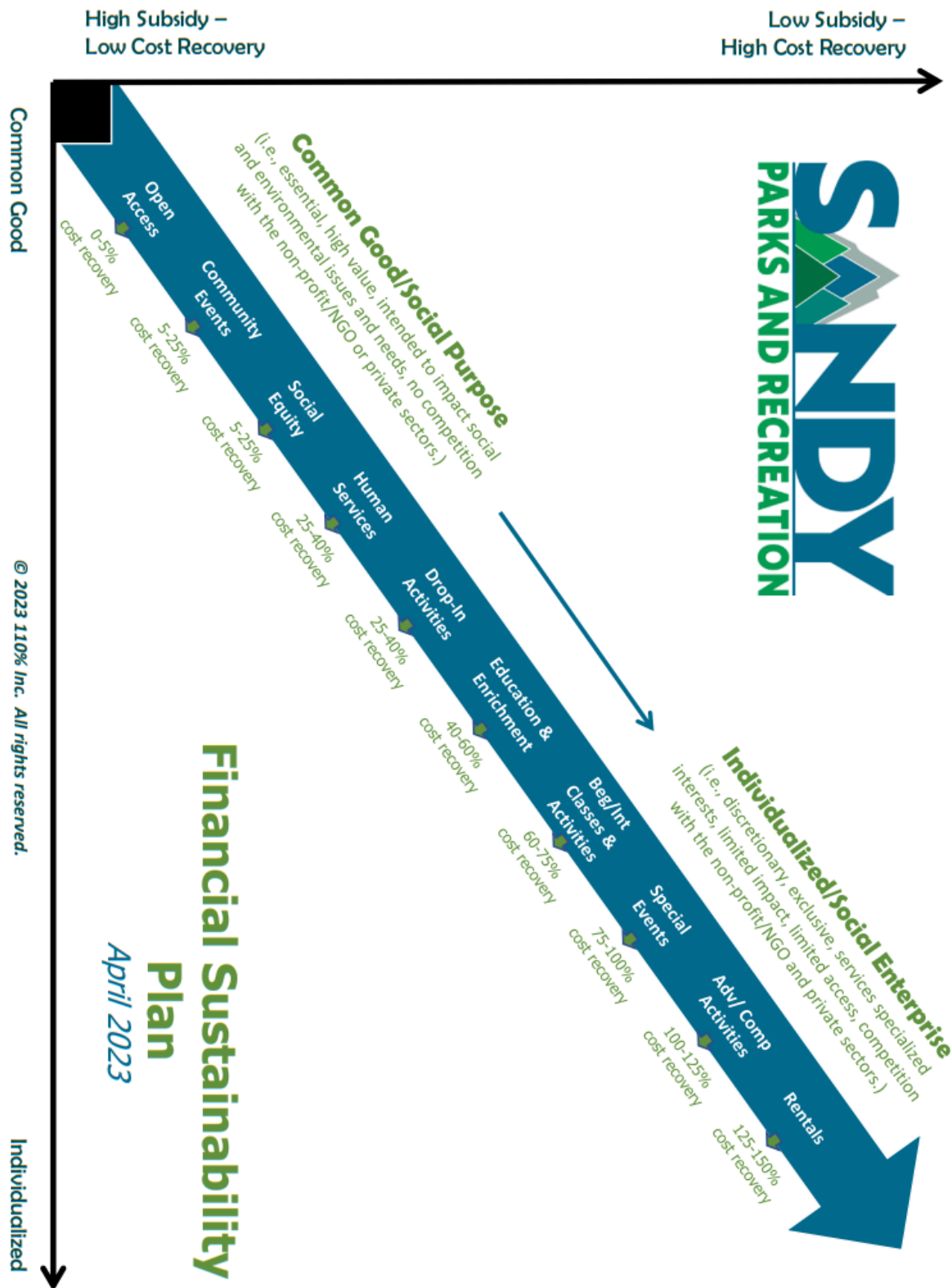
Success Metric 3: Participant/Customer Satisfaction: overall participant (customer) satisfaction must meet a minimum of 85% satisfaction or higher (*per user surveys and evaluations*).

Success Metric 4: Participant/Customer Impact: alignment with service goals – impact on social connections, increases in activity levels, impacts on quality of life, school performance, etc. (*per user surveys and evaluations*).

Addressing gaps between existing cost recovery performance and target (goals)

1. Analyze success metrics for services not meeting their cost recovery goal.
2. Analyze direct and indirect costs of providing service.
 - a. Measure ratio of direct and indirect cost.
 - b. Identify cost reduction opportunities and implement.
3. Suggest market increase commensurate with cost recovery goal.
 - a. Conduct market analysis of service.
 - b. Identify opportunities for capturing larger markets.
4. Identify potential sponsorship, donation, or pay-it-forward opportunities.
5. Identify potential partnership opportunities to continue to provide a service, however, in collaboration with another provider, reducing impacts on and dilution of Department resources, avoiding unnecessary duplication of service, and responsibly utilizing finite taxpayer resources.
6. If services do not satisfy success metrics, consider divestment of service at the end of a four-year strategy term or sooner.

FINANCIAL SUSTAINABILITY PLAN – Appendix A



FINANCIAL SUSTAINABILITY PLAN – Appendix B

Finance-centric Definitions

Ability to Pay: Derived from the economics principle suggesting that those who have more financial resources (wealth) or earn higher incomes should pay more taxes. Relative to municipal park and recreation services, this can be translated to the ability to pay for direct service based on an individual's financial circumstances.

Alternative Funding: Other ways to improve cost recovery in addition to fees and charges. May include grants, sponsorships, donations, volunteer programs, etc.

Benefit: The degree to which programs and services positively impact the public (individual and community), or in other words, the impact of services.

Budget: An estimation of revenue and expenses over a specified future period of time; usually compiled and re-evaluated on a periodic basis.

Capacity: The number of available spaces or the occupancy rate of a service. Also referred to as service maximum.

Collaborate: The process of two or more people or organizations working together to complete a task or achieve a goal.

Contact Hours: The total number of hours an individual participates in an activity, class, course, or event.

Cost Recovery: The degree to which the cost (direct and indirect) of facilities, services and programs is supported or paid for by user fees and/or other designated funding mechanism such as grants, partnerships, etc. versus the use of tax subsidies.

Depreciation: The periodic cost assigned for the reduction in usefulness and value of a long-term tangible asset.

Direct Cost: Cost incurred that can be traced directly to provision of a service. This cost would not be incurred if the service ceased. This includes fixed and variable costs.

Donation: A gift, grant, or contribution with no expected exchange or reciprocity. Typically done as “good will”.

Enterprise/Quasi-enterprise: A governmental accounting method established to record transactions like those utilized in the private sector, allowing for tracking of services through a separate fund that records all transactions. All revenues and expenses, as well as assets and current liabilities are included. This type of fund is generally required to break even or generate excess revenues over expenditures. Any revenues earned in excess of expenses are carried over, used for capital improvements or transferred to the General Fund. Collected gross revenues are not deposited in the General Fund, but rather are intended to be used to expand or improve services.

Exclusive Use: Scheduled, planned, or programmed use of a facility or space that is limited or restricted to a reserved or rented party. They have the right to the space for the specified period while others are excluded from using the facility or space.

Fee/Price: The amount charged to the customer for an activity or service.

Financial Management: The planning, directing, monitoring, organizing, and controlling of monetary resources.

Full Cost: The total cost associated with an activity or service.

Grant: A bounty, contribution, gift, or subsidy bestowed by a government or other organization (grantor) for specified purposes to an eligible recipient (grantee) and conditional upon certain qualifications as to use, maintenance of standards, or proportional contribution by the grantee.

Indirect Cost: Cost incurred with or without provision of a service. These costs are not traceable to a specific service and can benefit the system as a whole (do not directly benefit a single service).

Needs Quantification: Numerically expressing need through the application of a scoring system that quantifies whether an individual or family qualifies for financial assistance (e.g., applying a scoring system to HUD Poverty Guidelines, location of residence, school free lunch program qualification and other relevant variables).

Non-resident: A person or household whose primary residence is outside of the organization's (jurisdiction's) service area and does not pay property taxes to the organization (jurisdiction).

Participant/Guest/User/Visitor: The individual who participates in an activity, class, course, event, etc.

Participants/Guests/Users/Visitors: The total number of individuals who participate in an activity, class, course, event, etc.

Participations: The total number of participants multiplied times the total number of hours an activity, class, course, event, etc. meets.

Partnership: An advantageous collaboration that positions two or more participating organizations with common missions to efficiently utilize resources leading shared profits/losses and reciprocal benefit.

Price/Fee: The amount charged to the customer for an activity or service.

Profit/Excess Revenues: The additional revenue generated by a service when revenues exceed costs or expenditures.

Program: A common label in the field of parks and recreation for recreation services such as activities, courses, classes, and events.

Resident: A person or household whose primary residence is within an organization's (jurisdiction's) service area and who does pay property taxes to the organization (jurisdiction).

Scholarship: A waiver provided as a way to create access to services for those in need of financial assistance.

Sponsorship: The act of supporting a person, organization, or activity by giving money in either in-kind or cash form. Typically done with an expectation for some type of “exchange”.

Subsidy: Funding through taxes or other mechanisms that are used to financially support programs or services provided to users and participants. Subsidy dollars provide for the program or service costs (direct and/or indirect) that are not covered by user or participant fees, or other forms of alternative funding. This is the community’s financial investment (i.e., taxes).

Success Metrics: Performance measures are quantifiable evaluations of the organization's performance on a pre-determined set of criteria measured over time. The agreement upon standard performance measures allows the organization to judge its progress over time (internal benchmarking) and identify areas of strength, weakness and potential for improvement.

Total Cost of Service: The cost to provide a service including both direct and indirect costs.

Willingness to Pay (WTP): The maximum amount an individual is willing to give to procure a product or service. The price of the transaction will thus be at a point somewhere between an individual’s willingness to pay and the seller's willingness to accept. Macro environmental factors such as the overall state of the economy can influence willingness to pay.