

Arizona Parks and Recreation Magazine
Fall 2006

**Fees and Charges in Parks and
Recreation:
Philosophy and Methodology**

by

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Historically, public parks and recreation agencies have tried not to require fees or have assessed only minimal charges for the use of public parks and recreation services. The reasoning has been that the service is viewed as vital to public well being, similar to public health, safety and education. In recent years, however, pressure from several avenues have forced many public agencies, including parks and recreation, to rethink their basic tenets and to investigate and, in many cases, institute a cost program to recover part or all of the expenses generated by this public service. This trend has required parks and recreation administrators to critically examine their parks and recreation public pricing policies. As with any complex issue, there are arguments both for and against the charging of fees for public parks and recreation services.

The following arguments have been suggested *against* the charging of fees:

- Parks and recreation services constitute a basic human need such as public health, safety and education and for the greater good of society and its members; these basic human services should be of low or no cost.
- For many, these vital human services are essential and individuals and families in greatest need of these public services, in many cases, are those least able to afford such services.
- Those individuals and families who rely on public services and are least able to pay an established fee are those same individuals who would be affected the most and in many cases unable to use the needed services.
- Fees and charges appear to be double taxation in that the local citizen pays for the construction of facilities and the support of programs through already existing local taxes and then is required to pay an additional fee or tax to be allowed access to those same facilities or programs.
- Programs that have fees attached tend to be more commercial in nature and the basic philosophy of public servicing may be replaced with profit-orientation.
- With fees established, some question exists if the local agency can still maintain governmental immunity in legal cases; such as, when accidents or injuries occur while participating in public parks and recreation programs or facilities.
- As the public increases awareness of efforts to render public services self-supporting, tax support for these parks and recreation services may diminish.

The following arguments have been suggested *for* the charging of fees:

- Fees charged for participation in public parks and recreation services can recover a reasonable amount of the costs for providing the opportunities and constitute a mechanism for cost recovery.

- Revenue that is returned to the collecting agency can be utilized to enhance the quality and quantity of those parks and recreation programs from which fees have been collected.
- Fees can be utilized to distribute the use of the facilities, programs and services, maintaining balance of time, location, preservation of resources, congestion and participant numbers.
- Fees are paid by those who use the service, generate costs for the provision of the service and benefit directly from its offering.
- Fees reduce competition with private sector recreation services by charging fees instead of providing a no-cost or low-cost recreational service.
- A participant's willingness to pay a fee is a useful guide for the planning and development of parks and recreation services.

If a parks and recreation agency considers the need to charge fees, then one of the following six pricing models may be helpful to consider. Sometimes the fee and charge pricing philosophy has been more spontaneous, historical and a reflection of natural development rather than a deliberate pricing strategy. The following pricing philosophies may provide some logic to the decision making process.

Marginal Cost Pricing

Marginal Cost Pricing is the concept of establishing a fee that is at the point of the minimal cost of providing a single unit of parks and recreation service. It is equal to providing one more unit of service; such as, charging a golf patron the cost of one more person's use of the golf course, or charging a swimmer the cost of giving one more person swimming lessons. At a certain point, the cost of adding one more person to a program can be very marginal. When computed with the rest of the patrons and having that total cost shared, it helps to defray costs but not over burden the patron.

The following points are useful in understanding this pricing model:

- The established fee is calculated to recover a reasonable portion of the cost of the administration, operation and maintenance of providing the parks and recreation service.
- The established fee must be set at a point that balances a reasonable recovery of the cost of the program but does not prevent the use of the program by those patrons for whom the program was intended.

- The established fee is usually set to assist in the recovery of direct and indirect costs.
- The established fee is usually low but can still assist in some portion of cost recovery and assist in controlling the amount and type of program use.
- The established fee should enhance the social benefits of the parks and recreation service by providing the maximum quality experience at the minimal possible price.
- The primary hazard of this pricing model is that full cost recovery does not occur and hence a net loss may exist in the provision of the service.
- The difference between the minimal cost and actual cost is usually made up through some form of tax support strategy.

Average Cost Pricing

The Average Cost Pricing model is where a fee is set at the point where the individual pays the full share or cost associated with providing that service. Included in the fee is the actual capital, operating, maintenance, interest, insurance and depreciation factors. The full cost of the program measured over the lifespan of the program is divided by the number of participants over the lifespan of the program and then the fee is averaged. This allows the cost of such items as expensive equipment to be averaged over all users and not just the first program of users.

Some principles of this pricing model include:

- The fee that is established is intended to recover the full cost of the program but calculated based on the total lifespan of the program, which might be years.
- The established fee will generate effective and eventual self-support of the parks and recreation program.
- The fee is established based on the realistic and useful lifespan of the program including all the investments to make the program a reality.
- The fee must also include all fixed costs and variable costs of the program and use a prediction of the number of users as well.
- This pricing method is established so that only users of the program pay for the cost of the service, which has a tendency to increase the overall cost of the provision.
- There is one corollary of the average cost pricing model, which is the variable cost price. The variable cost price is a fee that is based on recovering the variable costs of the program but not the fixed costs. This reduces the fee to patrons and will usually recover a lower percent of the program costs.

Differential Pricing

Differential Pricing is setting a price at different levels for different types of patrons or patron use. This system provides some cost recovery but is also sensitive to the financial capabilities of patrons or popularity of a particular program.

This system is detailed by the following:

- The differences in pricing for different patron categories must be an acceptable concept to the users of the parks and recreation service or the method will have resistance.
- The pricing model generally sets different prices for six different categories. These categories for pricing and their explanations are:
 - Pricing by difference in participant group: The fee is set for different participant user groups; such as, low-income users, users who are elderly or children.
 - Pricing by difference in product provided: The fee is set at different levels depending on high-income areas versus low income areas, exclusive use versus open use, popular activity versus low popular activity.
 - Pricing by difference in place: The fee is different for the resident versus non-resident or for preference in seating at a particular activity.
 - Pricing by difference in time: The fee is different for activities that occur at peak use times versus slow times.
 - Pricing by difference in quantity of use: The fee is different depending on the number of participants who use the service at one time or for those who purchase large quantities of use (season tickets or passes) versus those who purchase smaller quantities of use.
 - Pricing by differences in incentive: The fee is set at different points for new patrons to serve as an incentive to start using the parks and recreation service. At some other points in time, the fee is increased as the customer becomes a continuous user.

Tradition Pricing

This approach is where the fee has been set based upon historical precedent. The rationale is that the fee has always been at this point, it is acceptable to the users and it provides a reasonable charge for the governing authorities. With traditional pricing, no attempt is made to adjust the

price necessarily for cost recovery but more as a traditional or historical way of conducting business.

Two points to this pricing model are:

- The changes that occur to fees that have been set by tradition are usually forced by some outside pressure; such as, changes in tax legislation, reduction of federal assistance or political powers.
- Traditional pricing, though having history as its justification, may not be bias-free, cost effective, allowing for open access and providing efficient use of the facilities.

Comparative Rate Pricing

This pricing model is where an agency sets their fees to match the fees of other agencies that provide similar and comparable services. In this way, the charge is consistent with the competition, at least with comparable agencies.

Some principles of this model include:

- The established fee avoids conflict among the other parks and recreation agencies in that no one agency's pricing is dramatically higher or lower than the other.
- The established fee is a good measure of what prices are reasonable to the user group in that the agencies have generally set the fee at the point of acceptable use and the patrons have responded with use.
- One hazard of this pricing model is the suggestion that agencies are "price fixing" and therefore are not allowing pricing based on price competition to emerge.
- An additional concern is that the agencies may not be comparable and not have similar cost factors and so for some agencies, the fee is cost-recovering and for others it is under priced.

Equity Pricing

This model suggests that the fee be set at a point that is fair, reasonable and equitable to all people. The idea is that those who do not use the service are not burdened with the cost and those that do use the service pay a reasonable fee. The only time that all people pay for a service that they may or may not use is if the service is for the greater good of the community (i.e., state highway systems). If that is the case then such adjustments as general tax support is appropriate.

This model is highlighted by:

- If the program benefits all people, even if not used by all, then a fee that is less than the total cost for the service is justifiable with tax support equal to the total cost price.
- The established fee should be fair to all people, both participants and non-participants. What is fair is a locally determined decision.
- The established fee must not only be equitable but the fee allows for equitable use by all desiring to participate.

The issue of charging a fee for parks and recreation services may be laden with multiple and complex issues; such as, political pressure, user and non-user fairness, service cost recovery and program quality. As parks and recreation agencies confront and work through this concept, arguments for and against fee charging as well as a philosophical pricing strategy should be considered.

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