

# The Cost Recovery Pyramid

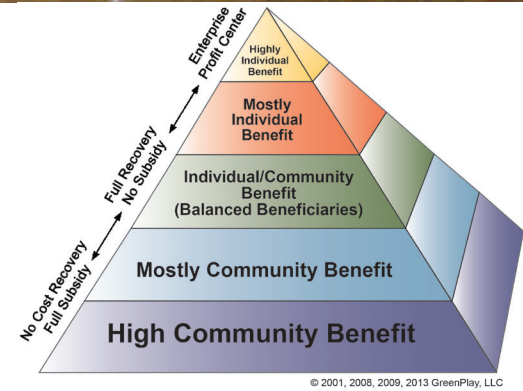
Methodology that works

by Alaina Brandenburger



**T**he Pyramid Methodology for establishing resource allocation and cost recovery philosophy, model, and policy has proven to be a useful resource for many agencies. GreenPlay's first completed project using the Pyramid Methodology was for Arizona State Parks in 2003. Over the past 10 years, we have completed these projects for a variety of agencies around the United States, and the process has evolved and been refined along the way. Karon Badalamenti, CPRE, Principal, and primary Project Manager for Cost Recovery projects states, "The flexible methodology is tailored for each project, and each agency is asked at the conclusion of the process to provide feedback to make our methodology better, improve our facilitation and development process, and give advice to future participating agencies on what worked, what didn't, tips and challenges."

The methodology originated in the 1990s in the Boulder Parks and Recreation Department, then under the leadership of Chris Dropinski, CPRE, Senior Principal and Managing Member here at GreenPlay. It was developed after Chris and then Recreation Superintendent Linda Kotowski were working to apply the academic work of Dr. John Crompton and Dr. Charles W. Lamb, Jr. regarding marketing government and social services to the parks and recreation industry. States Chris, "It became very evident that Boulder, along with many other agencies, had been charging for programs and recovering costs for many years, but did not have a strong foundational underpinning for the how's and why's and the intricacies of pricing and cost recovery."



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A follow up with GreenPlay clients revealed some interesting facts. Many of the contacted agencies reported an increase in cost recovery. The Willamalane Park and Recreation District in Springfield, Oregon indicated that it achieved an approximately 10-15% savings in subsidy (about \$400,000). The County of San Diego Parks and Recreation Department in California reported a first year increase in cost recovery of about 3%, or \$500,000 in additional cost recovery. In Glenwood Springs, Colorado, staff reported that cost recovery went from less than 75% to more than 85% over the course of a 3-year phase in.

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Each contacted agency stated that the methodology was easy to understand and would recommend implementing it in any community, but they also had recommendations about how to make the process easier and more successful for everyone involved. Not every agency

or community needs or wants to increase cost recovery – the goal is to determine the appropriate level for each specific community, and it is different with each community. Suggestions included the following.

**1. Set Clear Goals:** In order for the Pyramid Methodology to work correctly, clear goals must be set and communicated at the beginning of the project. One of the challenges associated with cost recovery is that no two agencies are the same. Therefore, one process does not work the same way for multiple agencies. States Karon, “We now have a well-tested systematic process to facilitate the philosophy and model development which is flexible enough to

individualize the outcome for each agency based on its values, vision and mission.” The desired outcome of the process will differ from agency to agency. It is important to set and understand these numbers up front.

In Glenwood Springs, staff is generally supportive of cost recovery goals set forth by the Parks and Recreation Department. Tom J. Barnes, Director of Parks and Recreation said, “The cost recovery has been in place since 2009, [and has a] good level of acceptance by the city council. Staff understands that we opt for the higher percentage recovery within a given range, and the community has accepted this PROVIDED that we offer quality programming and instruction for the money.” Setting clear goals and targets prior to undergoing the process of developing the Pyramid Methodology will help ensure an outcome that pleases everyone.

**2. Temper Expectations:** Some clients go into these projects expecting more than what is reasonable. Everyone involved in the process should be able to develop and communicate realistic achievements. If people begin developing expectations for the process that prove to be unachievable, they will not be satisfied with the overall outcome of the project. For this reason, it may be more successful to begin with smaller goals in mind and adjust them as implementation begins, and real results begin to show. Karon advises that the process is useful in many ways. “Minimally, agencies will develop and speak a cohesive language regarding resource allocation, and gain a clear and consistent understanding of the cost of service provision. Even at its most basic, this process is invaluable for making more effective decisions and identifying opportunities to leverage resources through alternative funding mechanisms.”

### 3. Make sure there is involvement at every

**level:** Each agency that responded mentioned that the public and key stakeholders should be engaged in the process of developing a Pyramid Model for Cost Recovery Allocation. David Miller of the Alexandria, Virginia, Department of Parks and Recreation stated, "I would recommend getting buy-in from the highest point possible in the organization, including elected officials if possible. [This] saves redo time." Engaging people at all levels will go a long way toward setting realistic and implementable goals. Dody Erickson, of the City and County of Denver, Colorado's Parks and Recreation Department advised, "For our department, I would have engaged our Finance team more directly with the initial process. There were a lot of questions regarding the timing of the creation of the categories of service and the current cost recovery work."

Engaging the public is also a great way to create buy-in for the process. Encouraging them to participate in the process helps people to see that fee adjustments are not arbitrary, and they can also see what they will receive from the process. In a 2008 article for *Illinois Parks and Recreation Association* magazine, Chris put it this way. "By having a clear understanding of who is benefitting from a particular program, fees can be explained. Being able to explain a pricing structure to community leaders and residents is empowering for parks and recreation professionals." Engaging the public also allows for a realistic assessment of how many people are using certain services and facilities. Developing a Pyramid Methodology for Cost Recovery and Subsidy Allocation for your agency is a good way to help justify decision making at every level. The process is easy to explain and implement. Karon says, "Most agencies actualize relatively immediate increased cost recovery through cost avoidance measures and savings, appropriate fee setting, and review and revision of contracts, intergovernmental agreements, and memorandums of understanding. This



allows an agency to free up taxpayer investment funding for critical unmet needs such as addressing deferred maintenance, implementing strategic initiatives, completing unfunded projects, increasing services for those things the community as a whole benefits from, or funding a scholarship program to assure everyone can participate. What this is not is a 'one-sized fits all' canned approach to fee setting; in fact, fees are the very last thing considered. It is also not a consultant-dictated answer to increasing your cost recovery. It is a staff involvement, agency-led development process which can be fully facilitated by our consultant team or implemented as a train-the-trainer process." To move your agency forward with a Cost Recovery Model and Resource Allocation Philosophy and Policy, call us at (303) 439-8369 or email [info@greenplayllc.com](mailto:info@greenplayllc.com).

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