

## DIFFERENTIAL PRICING



<b>Effective Date:</b> 2022	<b>Last Updated:</b> N/A	<b>Approved By:</b>
<b>Code and Statutory Authority:</b> MICC 4.44.010 MICC 3.53.020	<b>Related Polices:</b> Strategy for MICEC and Recreation Programs and Services (“Strategy”)	

### Purpose

The City of Mercer Island uses the following differential pricing policy as a part of its comprehensive approach to pricing and its overall strategy<sup>1</sup> for the Recreation Division’s programs and services. This policy describes the circumstances and requirements that must be present and satisfied to allow the City to charge one individual or group less than another for programs and services.

### Scope/Background

Differential pricing is one component of how the City establishes and levies fees. The City endeavors to “set reasonable fees that are responsive to demand, market realities and minimum cost recovery goals, such that the overall operation is financially sustainable and Mercer Island residents of all income levels can participate.”<sup>1</sup> Differential pricing can assist the City in stimulating demand, leveraging residents’ tax subsidy, reaching an underserved population, shifting demand to another time, place or date, and driving full participation and use of the City’s recreation amenities. This policy also describes how some categories of participants and customers may be given prioritized access to programs and services.

### Definitions

1. “Division” means Mercer Island Recreation Division
2. “Cost recovery” means the degree to which the operational (and sometimes maintenance) costs of providing a program or service are supported by user fees and/or other funding mechanisms such as grants, partnerships, donations, sponsorships, or other alternative (non-tax) funding sources.
3. “Fee study” means a review of market and competition prices for benchmarked programs and services.
4. “Resource allocation philosophy” means the guidance for which programs and services should be offered, why and with what resources (e.g., facility space, staff time, tax support, user fee funding).
5. “Strategy” means the *Strategy for Mercer Island Community and Event Center & Recreation Programs and Services (also known as the Reset Strategy)* endorsed by the Parks and Recreation Commission in April 2021 and City Council in July 2021.
6. “Tax subsidy” is the degree to which a program or service is supported by the City’s taxes.
7. “Resident” means an individual or business whose permanent residency is located within the City limits, or an individual or business that owns property within the City limits.

<sup>1</sup> *Strategy for Mercer Island Community and Event Center & Recreation Programs and Services*

**Policy**

- a) The level of the discount for all appropriate programs and services will be set after examining the respective cost recovery goals and fee study data, and in support of the Strategy’s cost recovery and resource allocation philosophy and aims.
- b) Use of differential pricing will be focused on programs that receive more tax subsidy. This recognizes that residents and taxpayers provide an ongoing contribution to the community’s programs, services and facilities. In the Strategy, these programs are labeled as “social or public good core” and the “desirable set.” These programs are found predominately in Tiers 1 through 3 and provide for significant community benefit in addition to benefitting the participating individual. As such, tax revenue supports these programs and services to a greater degree than those that more narrowly focus a benefit on individuals.
- c) Residents and non-residents will pay the same fees for programs and services that are designed to be full cost recovery (Tiers 4 and 5), unless (1) ~~non-resident participation~~ a differential in price is necessary to make a program viable for residents’ participation; or (2) ~~non-resident participation reduces the city’s net cost of operating a program,~~ or (3) interlocal agreements are in place with other municipalities that subsidize their residents’ participation in Mercer Island’s program.
- d) Where feasible, the Division will provide preferential treatment to residents and defined partners<sup>2</sup> for facility rentals through prioritizing their reservation access.
- e) Where feasible, the Division will provide preferential treatment to residents by allowing them an opportunity to register for activities and programs before non-residents.
- f) The Division may implement differential pricing as incentives to drive quantity of use (such as offering a discounted punch card for multiple visits to the fitness center), full use of the facility (such as filling longstanding rental vacancies) or to drive participation in a new program.

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**Procedure(s)**

TBD following adoption of policy; will be established and approved, administratively, by the department director and division manager.

<sup>2</sup> See MICEC Facility Space Allocation and User Categorization Use Policy’s section titled “Priority Access and Use.” for definitions of “defined partners.” (This policy has not yet been drafted nor approved as of July 2021.)

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