



**PARKS & RECREATION COMMISSION
STAFF REPORT**

**Item 2
July 1, 2021
Regular Business**

AGENDA ITEM INFORMATION

TITLE:	Recreation- Differential Pricing Policy	<input checked="" type="checkbox"/> Discussion Only <input type="checkbox"/> Action Needed: <input type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution
RECOMMENDED ACTION:	Discuss and provide input on the draft policy	

STAFF:	Ryan Daly, Recreation & Operations Manager Emily Moon (Consultant)
COUNCIL LIAISON:	Jake Jacobson
EXHIBITS:	<ol style="list-style-type: none"> 1. Pricing section of the Reset strategy 2. Draft Differential Pricing Policy

SUMMARY

In April 2021, the Parks and Recreation Commission endorsed the *Strategy for the Mercer Island Community and Event Center and Recreation Programs and Services* (also known as the Reset Strategy). The Strategy included guidance regarding pricing and recommended examining the policy of differential pricing. (This section of the Strategy is attached for the Commission’s use; see Exhibit 1.) The Commission received a brief introduction to differential pricing as part of a presentation at the March 18, 2021 meeting.

BACKGROUND

The City of Mercer Island currently uses differential pricing for some recreation programs and services but does not have an official policy. As part of the Recreation Reset workplan, City staff drafted a policy (Exhibit 2) that more fully describes the rationale, intentions, and practices that would govern discounting fees. Tonight, the Reset Team requests the Parks and Recreation Commission’s review of the draft policy. After the Commission has approved the policy, it will be forwarded to the City Council for consideration.

While this policy addresses the topic of differential pricing, this is only one facet of the City’s overall pricing strategy. The goal of the pricing strategy is 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.

Therefore, the level and beneficiary of the discount needs to be considered carefully with these goals in mind.

Most cities in the Puget Sound area charge different prices to recreation participants or facility users depending on certain factors. The most common differential pricing is to charge residents less than non-residents, in recognition of the ongoing tax investment by community members and to promote superior access for residents. These discounts, as is the case in Mercer Island, typically apply to both recreation

programs as well as facility rentals. Some cities choose to vary their rates according to additional factors, to help the municipality address other goals such as diversity, equity and inclusion, or to prioritize resource allocation and access to particular user groups (such as charging a lower rate for youth programs versus adult programs or offering a reduced-fee room rental for community non-profit partners). Mercer Island does this to a degree. For example, currently the field rental charges are differentiated by the age of the user group, seniors receive discounts for drop-in activities and the fitness center, and there are three different classifications and rates for facility rentals. Most cities keep their differential pricing policies focused on a few simple goals and limit the number of pricing tiers to ensure consistent and fair application. Some cities have a simple policy statement such as “Individuals and family members living in the City limits are eligible to receive resident rates for classes and activities.” Other cities have more broadly worded policies that express intentions and correlate to adopted strategies or goals. In each of these cities, the level of discounts across programs and services varies widely but tend to fall within a 10-50% range.

Additionally, most cities provide an income-based fee waiver or scholarship program to better ensure access for people of all income levels. Mercer Island residents who demonstrate income-based need and who are eligible for other types of governmental financial assistance (such as SNAP food benefits) can qualify for a scholarship of up to \$300 per year for an individual or up to \$500 per year for a household.

Some cities in the Puget Sound area also attempt to focus the benefits of taxpayer-supported services and programs on residents by allowing residents the first opportunity to register for those activities or to reserve facilities.

PROPOSED POLICY FRAMEWORK

Staff suggests that the City’s policy should:

- Support the Strategy’s cost recovery and resource allocation philosophy and aims.
- Reflect updated national best practices for fee setting, which suggest that cities should not provide residents with a discount for all services and programs, always.
- Permit staff to set the level of the discount for all appropriate programs and services after examining the respective cost recovery goals and fee study data. This recognizes that the department director has the responsibility to manage the fee setting requirements found in the Strategy, and that the department director has the municipal code authority to set fees.
- Target the use of differential pricing toward programs that receive more tax subsidy. This recognizes taxpayers’ sustaining contributions to these programs and services.
- Require that residents and non-residents pay the same fees for programs and services that are designed to be full cost recovery. This recognizes that the cost of providing these programs and services is the same regardless of residency status and that these programs and services are sustained to a greater degree by user fees. Many of these programs and services (found in Tiers 4 and 5 of the pyramid) are also found in the private marketplace and are less likely to be viewed as fundamental services of a municipality.
- Where feasible, provide preferential treatment to residents and defined partners for facility rentals through prioritizing their reservation access. (Categories of user groups and partners will be addressed in the Facility Use Allocation policy.)
- Where feasible, provide preferential treatment to residents by allowing them an opportunity to register before non-residents.

- Allow the Division to 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.

RECOMMENDATION

Discuss the policy framework and draft policy. Provide input to City staff regarding the policy.