



To: Honorable Mayor and Members of Town Council

From: Jeff Brauer, Director of Parks and Recreation

Title: Discussion/Direction: Joint-Usage Pass for Recreation Center and Miller Activity Complex

Executive Summary

The purpose of this memo is to provide a summary of the current operating fee structure for the Miller Activity Complex (MAC) as well as the Community Recreation Center (REC) and assess the potential impact of offering a joint-use pass.

Existing passes to the MAC and REC are only valid at the facility for which they are purchased. This policy is the direct result of Town Council direction requiring the MAC to recover operating fees and remain self-sustainable. Since opening in November 2014, the MAC has consistently demonstrated successful cost recovery.

Since the MAC and REC are designed to serve different recreation users, residents have expressed a desire to purchase a pass that would be valid for use at both facilities so diverse recreational needs can be obtained in a more affordable manner. For example, while one parent may wish to take advantage of the health and wellness programming at the REC, their children may wish to take advantage of the play structure or indoor athletic fields at the MAC. Purchasing memberships or punch cards at both facilities without a joint-use pass may be cost prohibitive for the family, leading them to compromise whose recreational needs are met.

To successfully offer a joint pass, it will be necessary to increase gross revenue from pass sales while also anticipating a significant loss in net revenue from participants taking advantage of the pass and using both facilities more frequently. If the Town of Castle Rock offers a joint-pass model, gross revenue will inevitably be affected by patrons no longer paying to visit the other facility. Given increased use, additional resources will be needed to protect and manage the facilities and patrons as measures of capacity and comfort shift. Both facilities will likely face increased staffing requirements to maintain levels of service and adequately serve a larger patron base; increased purchasing of consumable products such as paper towels, toilet paper, soap, etc.; and increased facility maintenance costs due to heavier foot traffic and increased wear and tear on play features, equipment, existing amenities and the facilities in general.

It is worth noting that the MAC has nearly approached its capacity in terms of the number of patrons that can comfortably and satisfactorily participate at the facility simultaneously. It should also be noted that as the MAC nears its 4-year anniversary, both time and high usage has necessitated the planning and implementation of increased resources being allocated to maintenance and staff supervision of patrons. In 2017, the average cost for each paid facility visit was \$12.11, whereas current daily admission resident rates range from only \$5 for youth and \$6 for adult, plus an additional \$7 for trampoline admission. To offset the difference between the cost of managing the facility and admission revenue, staff are required to rely on

contracted programs and facility reservations to achieve the Council-driven direction of achieving full cost recovery. If usage and maintenance costs increase through the implementation of a joint-pass model, the ability to achieve full cost recovery becomes unknown since field rentals and program offerings are already at near-full capacity. In addition, the current point-of-sale membership management software would not allow for the successful implementation of a joint-pass model so the department would need to purchase, implement and manage a new software.

If it is decided that a joint-pass model should be adopted, then staff recommend offering joint-use passes at 150 percent of the cost of single-facility passes. Staff also recommend that the MAC cost-recovery expectations be incorporated into current the Community Center Fund since the MAC may no longer be able to achieve full cost recovery due to increased use and limited programming capacity. Additional funding support may also be required to offset incurred losses in revenue and projected increases in operational costs.

Budget Impact

From staff assessment, it is clear that a joint pass offered at current pricing levels would significantly reduce revenue at the MAC. For example, if the amount of annual passes that are purchased to the Recreation Center increases from 500 to 750 families, revenue from these passes would increase by approximately \$205,000. If as a result, each of these families use the MAC through their joint pass and no longer pay daily admission, the MAC may incur a net loss in admission revenue of \$379,000.

Rather than offering a pass to two facilities for the price of one, it is anticipated that an increase in the cost of a joint pass can significantly offset the loss outlined in the example. The chart below demonstrates the anticipated financial impact a joint MAC/REC pass would have if offered at 125 or 150 percent of the existing pass rate along with projected revenue losses and labor, maintenance and operational cost increases.

Joint pass	Cost of family pass	Revenue increase	Gross revenue loss	Net revenue loss	Labor/M&O increase	Total impact
Current family pass	\$834	\$205,000	(\$379,000)	(\$174,000)	(\$283,932)	(\$457,932)
Increased by 25 percent	\$1,043	\$153,750	(\$284,250)	(\$130,500)	(\$222,371)	(\$352,871)
Increased by 50 percent	\$1,251	\$102,500	(\$189,500)	(\$87,000)	(\$160,810)	(\$247,810)

Recommendation

In order to accommodate a joint-use pass, as well as allow for residents and patrons to customize their recreational needs, it is recommended a joint-use pass be implemented at 150 percent the cost of a single-facility pass if directed by Town Council. It is also recommended that additional funding be allocated to address the increase in costs associated with maintenance, increased staffing needs and the purchasing of a new point-of-sale software. An annual amount of \$160,810 would be required to safely address the increased participation and wear and tear on the MAC. In addition, the Community Center Fund would incur an additional projected loss of \$87,000 in net admission revenue, resulting in a total negative impact of \$247,810. It is further recommended that the MAC cost recovery expectations be incorporated into the current Community Center Fund since the MAC may no longer be able to achieve full cost recovery due to increased use and limited programming capacity.