Project Funding Recommendations

The process of securing funding for the needed renovations and new facility development totaling $57.2 million will be a challenge for the Maryville-Alcoa-Blount County region. Existing capital improvement funds dedicated to parks, recreation, and trail improvements are very limited and are not adequate to make the extensive improvements needed at existing facilities. Facility needs range from approximately $16,236.00 to over $1.6 million. Prioritization should be based on community input received during the master plan process and funding that becomes available for specific projects.

The recommendation for over $32.5 million of new park facilities represents the minimum number that the Commission should develop. This development should represent what the public desires and what they will support long term. As growth continues, the need to provide additional open spaces and new recreation facilities will be paramount to continuing the high quality of life for Blount County residents. Facility and programming deficiencies throughout the county will continue as the population increases in surrounding areas. The cost of land throughout the area will continue to rise, making the ability to secure large tracts of land increasingly difficult. The Commission and its partners should make concerted efforts to acquire land for preservation and future development. This effort should be the primary focus as the plan is established and enacted.

Review of existing funding sources that could be directed toward accomplishing the recommendations of the master plan have been identified through review of potential resources. Further, concerns about future funding have been recognized and have been summarized.

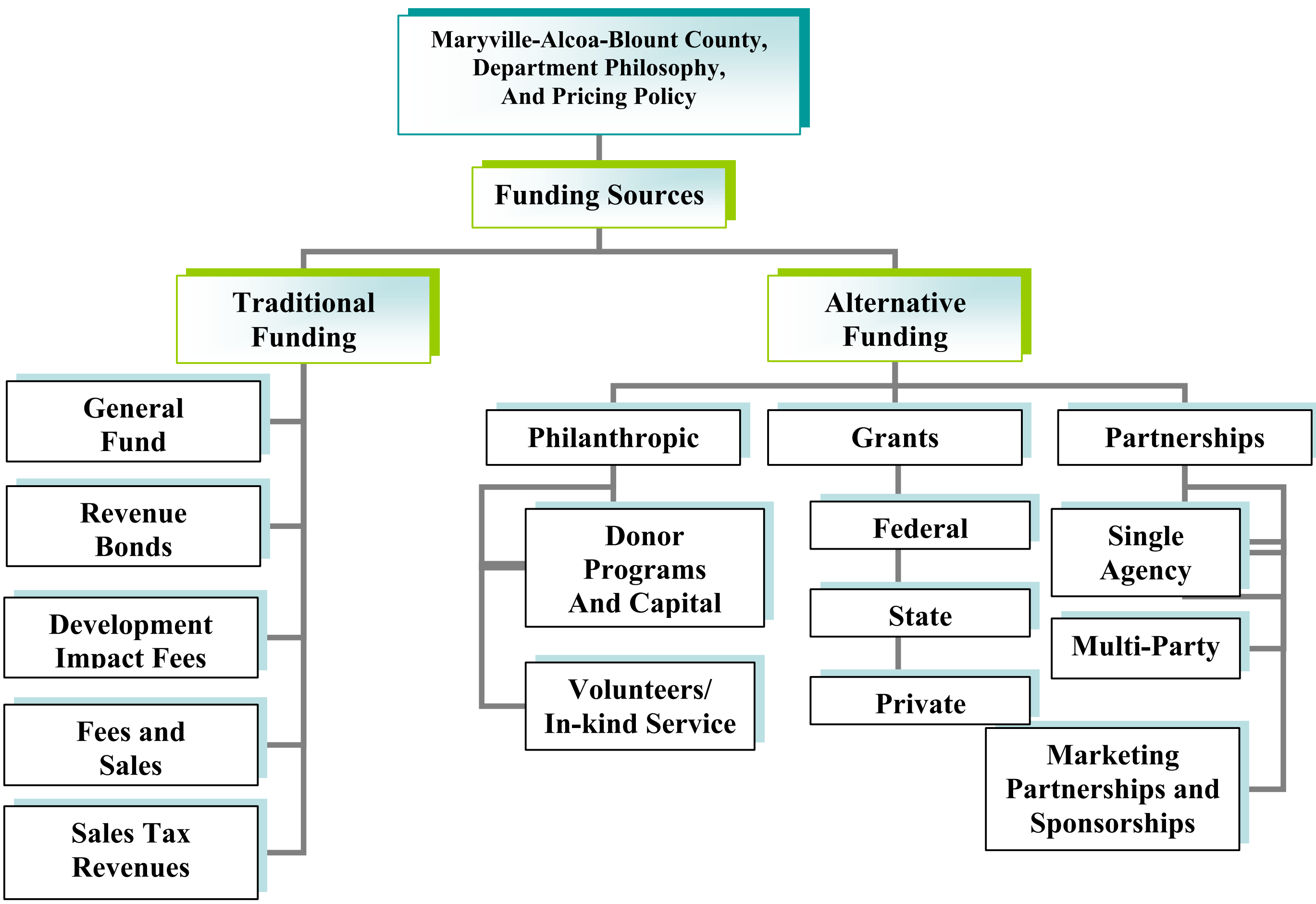
Funding Options and Strategies

A key component for implementing this Master Plan involves understanding the funding opportunities, identifying the options, and developing strategies. The following summarizes the recommended strategies for funding:

- Relative to capital improvement financing, the MAB Parks and Recreation Commission needs to explore using alternative funding methods to counter the dependency on property tax subsidies. Pursuing funding options such as dedicating a portion of the local option sales tax, hotel tax, or bonding cost for larger projects should be considered.
- Develop a Subsidy/Cost Recovery Philosophy, which provides the framework for creating a Pricing Strategy and Policy for all programs and facility rentals.
- Clearly identify the parks and recreation development funding necessary to meet the Level of Service Standards (LOS) established by the citizens steering committee for the Master Plan.
- Develop a Partnership Policy and Strategy to provide guidance in developing and acquiring partners compatible with the mission and goals of the Commission.
- Pursue alternative funding sources by (a) incorporating the responsibility into an existing staff member's job duties, (b) contracting with a firm specializing in grant writing, or (c) hiring a consultant to aid staff in developing a unified plan for increasing non-tax revenue coming to the department.

Various funding sources, as depicted in the following figure, are available for use by the Parks and Recreation Department.

• Explore funding all facilities jointly, as was done at the new senior center, rather than by geographic location
• Analyze the impact of population growth to determine the number and cost of new facilities needed to maintain the current level of service. Capital budgets can then be developed to meet the near-term and long-term facility needs.
• Actively seek lease opportunities for land owned by TVA or other large, private or public landowners to reduce initial facility development cost.
• Explore establishing a dedicated recreation millage to be assessed by all three governments to pay for capital and operations expenses.



Traditional Funding

Communities have a number of options for funding parks and recreation services including traditional funding such as development impact fees, local sales and property taxes, general obligation and revenue bonds, and several others.

Development Impact Fees
The proceeds from residential development impact fees supports Recreation, Parks and Open Lands through the Park Improvement Fund. Coupled with land dedication requirements, these fees should offset the development cost of neighborhood and community parks' facilities brought about by growth. Communities such as Collierville, Brentwood, Williamson County, Tennessee and others are using impact fees to provide recreation services.

Within the scope of work completed for this Master Plan, the planning team revealed that Maryville-Alcoa-Blount County does not have an impact fee ordinance for recreation services. This funding mechanism may be a way for the Parks and Recreation Commission to raise some revenue to develop parks and open space areas, but will not be enough to meet the entire need of the community.

One of the requirements of establishing impact fees is to determine the level of service standards for the community. The Citizens Steering Committee for this Master Planning project established the number of facilities per 1,000 residents that are desired for the primary facilities in the park system. These standards should be used when formulating impact fees for recreation facilities.

Another revelation in the master plan process is the lack of a land set-aside requirement for new development. Land set-asides are instrumental for the preservation of green space and can often provide land necessary for greenway development. Rarely do land set-asides allow for the development of new parks; however, they are critical to the establishment of an overall greener community.

Local Option Sales Tax Revenues
Many municipalities in Tennessee and across the country have found benefits in dedicating sales tax revenues towards park, recreation and open space improvements. The appeal of this tax is that a person is only taxed when purchasing goods in the community where the tax is in effect.

The State of Tennessee imposes a 7% tax on all sales, leases or rentals of tangible personal property. In addition, counties and cities may levy a local sales tax not to exceed 2.75%. There are some exemptions to what is taxed but a portion of the revenue generation could be set aside to fund capital projects.

The Commission needs to explore the possibility of dedicating a portion of the local sales tax. The team feels this tax should be targeted towards acquisition for recreation and development of priority needs (ex: sports complex, recreation center, skatepark, etc.). Once proceed estimates are determined, the Commission could leverage the yearly proceeds and seek a long-term bond for these uses. This approach would allow the community needs to be met very quickly.

Revenue Bonds

Another traditional funding strategy that should be considered is the use of revenue bonds that are a form of non-guaranteed debt, meaning that they are not backed by the full faith and credit of the government entity. Instead, revenue bonds are sold on the basis of repayment from other designated revenue sources. If revenue from the designated sources falls short of what is required to make debt payments, the government entity does not have to make up the difference. Revenue bonds are typically used to fund capital projects, which will generate adequate excess revenue to cover both operational costs and service of the bond debt, and are often are issued for 15, 20 or 30 years.

Advantages
• Direct voter approval is not required because the general taxpayers are not being asked to pay these debts.
• They are not considered statutory debts, so they do not count against the government entity's debt ceiling capacity.
• If the revenue accrues directly from the project, then the people who most benefit from the facility pay for it.

Disadvantages
• Investors who buy these non-guaranteed instruments incur more risk, which means that the government borrowers have to pay higher interest rates to lenders than they would pay on full faith and credit obligations. The difference in interest rates can be as much as 2%.
• Although securing the loan is not required, an agency may want to accept a real or moral obligation to secure it. Accepting this obligation requires the agency either to pledge legally or orally to appropriate from its annual revenues money that may be required to meet full debt service on the bonds if the designated revenue source does not provide it. This is done for two reasons:
  - It reduces risk, and accordingly, the rate of interest that investors charge for the bonds.
  - If an agency would default on this debt, damage would be done to the agency's reputation in the investment markets and make securing capital funds in the future more difficult and expensive for the jurisdiction.

Other Considerations
• A facility has to generate sufficient funds to cover both operating and maintenance expenses, as well as annual principal and interest payment.
• Investors usually require that a debt-service reserve fund be created to provide additional security in case projected revenues fall below the level needed to meet annual debt-service requirements.
• Because revenue bonds for parks and recreational facilities are more difficult to sell in the open market, generally, park agencies are restricted to obtaining revenue bond financing by negotiating with a local financial institution.
• If you know large organized groups will be using the facility on a regular basis, you may want to consider approaching them and asking their membership to pay a surcharge above and beyond the cost of using the facility. These groups are often willing to do this because they will have improved facilities in which to conduct their activities.

They know that without the surcharge, the facility will not be built.

General Obligation Bonds
General obligation bonds are taken out by a jurisdiction against the value of taxable property, and are paid through taxes on property owners.

Fees and Charges
As previously discussed, fees and charges are generally associated with charging for services at a level based on the subsidy/cost recovery philosophy and pricing structure developed for the community. Service provision costs are typically established based on direct costs, and more frequently in today's environment, also a portion of indirect costs. Fees are then established based on the established Subsidy/Cost Recovery Philosophy and pricing structure, and are often associated with recreation programs, facility rentals, concessions, and facility usage.

Advertisement Sales
Advertisements can be sold for a placement in a variety of promotional tools. Key to success in selling advertising is developing an Advertising Plan and Policy. This plan typically outlines acceptable types of advertisers, locations available for advertising coupled with target audience, costs for the various advertisements, and time frame as well as the details of the advertising program.

Concessions and Merchandise Sales
Sales of concessions and merchandise can generate revenue for a parks and recreation department as well. Concession sales are often affiliated with high traffic areas, whereas merchandise reflects the sale of retail items like swim goggles or logo apparel. Operation of either can be in-house or through contracted services in which case a percentage or agreed-upon monthly fee can be collected.

Naming Rights
Many cities and counties throughout the country have encountered great benefits by naming facilities for corporations or other benefactors. While some jurisdictions shy away from this venture, the realities of securing long-term funding for a department is one of the big positives for this means of funding.

The City of Mesa (AZ) completed a fundraising feasibility study for its new indoor aquatic center. At the forefront was the consideration of naming rights for the facility and its ability to bring in revenue over a 10-year period. The study revealed that the City could garner $50,000 to $111,000 annually from naming the center for a group, thus bringing in over a half a million dollars over the next decade. Further, the study recommended that additional funding mechanisms for sponsoring the entire department could garner up to $135,000 annually.

Hotel Bed Tax
Blount County currently has a hotel/motel tax that is imposed on lodging stays within

its jurisdiction. The tax rate is 4% according to the University of Tennessee-Knoxville Municipal Technical Advisory Service. Current proceeds of the tax go towards tourism enhancement within the area. Specific benefactors are the Visitor's Bureau (50%), Visitor Center Operations (12.5%) and Blount County (37.5%)

When compared to neighboring counties, Blount County appears to be in the mid to low end of the tax rate imposed. At present, the municipalities of Alcoa and Maryville do not impose a collection.

The Commission needs to examine the possibility of imposing an increase in the hotel/motel tax for recreation and park purposes. County officials and the Blount Partnership estimate the current 4% brought in approximately $1.285 million in 2002-2003 and has increased in proceeds each year. The 2004 tax collection is projected to be $1.375 million reflecting an increase of 6.8% over 2003. Using estimates and trends, adding an additional ½ cent for parks and recreation promotion and development could possibly bring in about $171,000 per year (in today's dollars).

The Commission should educate the business community and others about the financial benefits of recreation in Blount County. As an example, the Smoky Mountain Classic Softball Tournament is known around the country as a premier event. This year the tournament is a regional qualifier for the Amateur Softball Association (ASA) and should entertain as many as 36 teams. Using economic impact formulas, this single tournament should generate direct and indirect economic revenue of over $700,000 during this three-day tournament. The ability to host more teams and entertain more guests is currently limited by field space and support amenities. Construction of a major tournament facility would allow the expansion of this tournament and hosting others. In return the tax revenues generated could be used to offset the facility development cost over the life of the facility.

Utility Round-Up

Dependent upon what utilities the governing bodies provide, there is a way to have customers pay their bills and have a portion go to funding parks, recreation, and open space.

Starting in the 1990s, the method of "rounding up" your utility bill and having the overage apply to funding parks and recreation has been used across the nation. The concept is quite simple, for example a customer receives a water bill for $24.72. Instead of writing a check for the exact amount, the customer has the option of writing a check for $25.00 and having the overage (28 cents) apply towards parks, recreation and open space funding. Many departments have earmarked these funds for special projects, capital improvements and/or daily operating expenses.

Alternative Funding Sources

Partnerships

Within parks and recreation agencies there has been a movement away from being the exclusive direct provider of facilities and services and toward an agency forming partnerships with other entities to produce these amenities. Two primary reasons for this shift were (a) a desire to reduce the high cost and inherent inflexibility associated with hiring full-time personnel whose skills are tied to direct delivery of a specific service, and (b) a desire to avoid the constraining influence of bureaucratic procedures and regulations.

Partnerships can also be an excellent resource when approached by community members to add facilities or amenities to parks that are not part of the master plan priorities. When unique, unforeseen opportunities arise relative to development opportunities and community interest, rather than rejecting the project, Maryville-Alcoa-Blount County can consider it as a potential partnership opportunity.

Partnerships can be made between recreation agencies and other organizations in both the public and private sectors. Before these partnerships can be formed, however, a favorable supportive environment for such partnerships has to be present. The first challenge is for the potential partners to recognize and accept as legitimate their different value systems.

There must be reciprocal benefits accruing to all parties in a partnership arrangement if it is to be successful. In addition to financial considerations, benefits may include efficiencies from removal of service duplication or use of complementary assets, and enhanced stability for the service. Ultimately, the personalities of individuals involved in a partnership and the personal relationships that they forge determine its effectiveness.

a. Partnerships with Schools

The economic case for a jurisdiction and school district cooperating to provide parks and recreation facilities is compelling. Both users provide facilities that could be used by either party. Currently there is limited partnering with the school district. The Commission uses some school facilities as a backup user to the school's primary use. There appears to be a tremendous opportunity for this partnership to be enhanced.

Taxpayers fund the facilities that both entities develop, and joint provision is likely to result in savings from reduced land acquisition costs, capital development costs, and operating expenses. Additionally, the times at which school and community clienteles use recreational facilities are reasonably complementary.

In general terms, the involvement of schools in the delivery of community recreation services may take several forms. Most prominent among these are:

- The school board having primary responsibility for delivery of recreation as well as educational services in the community and, in effect, acting as the community's recreation department;
- Community educational programs, whereby school boards operate classes, usually

in the evenings, in school facilities; and
• Joint-use or joint-provision of facilities, which involved school boards cooperating with recreation agencies to jointly use or provide recreational facilities.

One example where the potential for a school/park partnership exists is on the future Carpenter's High School site. A 15-acre park has already been planned for the site; however, the need for additional recreation sports fields and tennis courts in the area may present the opportunity for shared development and use by the two entities.

b. Partnerships with Hospitals

As hospitals move into the wellness business, a growing number of parks and recreation agencies are forging relationships with them to jointly develop facilities. This joint development avoids the expense of duplicating efforts by institutions that are located in close proximity to each other. Additionally, hospitals often have substantial budgets they can use to promote joint programs. These cooperative programs can also provide the agency with a feeder source for new members.

If the agency decides to develop an indoor recreation center, the Commission needs to determine the feasibility of bringing in a health provider to develop and staff the fitness component. The Commission could have the provider help in construction costs and/or pay rent for use of the facility.

c. Multi-party Partnerships

In these partnerships, a parks and recreation agency takes the lead in conceptualizing and subsequently implementing ventures that involve several financial partners from both the public and commercial sectors. These types of relationships can be extremely beneficial, but they are also highly complex. The agency acts in an imaginative and entrepreneurial fashion with a variety of different organizations, but can be constrained by public sector rules and procedures.

d. Sponsorships and Cooperative Marketing Partnerships

Many parks and recreation agencies use event sponsorship, which is defined as corporate support, for specific events or programs in return for tangible benefits to the company. Some communities that do not pursue these funding opportunities are concerned that if they enter into sponsorship agreements, they will be required to erect giant billboards throughout their parks and facilities. Fortunately, this type of signage does not have to be the case. In fact, more companies put less value on signage preferring less intrusive benefits where they can develop good relationships with citizens in the community. Consequently, fewer companies are looking for signage when they work with parks and recreation agencies. However, even without the need to erect large corporate placards, event sponsorship is more time consuming and cannot create nearly the amount of revenue for your department that cooperative marketing partnerships can.

Cooperative marketing partnerships are one of the fastest growing alternative funding methods being used by parks and recreation agencies. It is defined as partnering your entire parks and recreation department with a company that does business in your area. The negotiating leverage your department creates by bundling all of your facilities and events together into one exclusive package makes the opportunity much more attractive to members of the corporate community. It is for this reason that the revenue sum of marketing partnerships is much greater than all of your event sponsorships combined. Companies want to be exclusively associated with your entire department, and are willing to pay a premium for it. This is also the reason that large, non-profit athletic organizations, such as the National Collegiate Athletic Association (NCAA), bundle their own sponsorship opportunities.

The planning team recommends that Maryville-Alcoa-Blount County develop cooperative marketing partnerships, instead of event sponsorships, for three key reasons:

- Maryville-Alcoa-Blount County has limited human resources to take on the added task of finding corporate sponsors for individual events and programs;
- Population of Maryville-Alcoa-Blount County is not large enough to warrant substantial investments by companies for individual events/programs; and
- Relatively small business base (in numbers) in Maryville-Alcoa-Blount County will make contributions for individual events more difficult to obtain.

A few of the advantages that marketing partnerships have over traditional event sponsorship include the following:

- Less Work – Instead of looking for sponsors for each of your events or programs on an individual basis, a single marketing partnership can provide financial support for all of your events. This lightening of your workload allows you to re-direct your staff to handle other responsibilities.
- Less Commercialization – Because this comprehensive relationship is more of a partnership instead of a sponsorship, many companies are less interested in placing huge, permanent signs on your grounds. They would rather develop good relationships with citizens who frequent your facilities and events. For example, this can be done through temporary information booths that can be removed after the completion of various events or programs.
- More Cash, Less Product – In many small sponsorship arrangements in parks and recreation departments, much of the corporate investment is given as in-kind or trade, such as advertising or product. Although providing these benefits is a nice gesture, your budget needs more cash. By working with a company in a department-wide partnership, you can insist and will receive cash instead of trade.
- More Revenue – Combine all of the revenue and trade you receive through your current sponsorships and multiply that by four. On average, that is the minimum you can expect your revenue to increase if you change your strategy from using event sponsorships to developing marketing partnerships. Again, this is due to the premium that companies will pay to be one of the recognized exclusive marketing partners for your entire department. However, if your department does not have ample background in marketing and sponsorship, you may undervalue your inventory. A company's initial offer may be far below its actual worth in the mar-

ket. Outside expertise can often be helpful during the procurement and negotiation stages to ensure you receive fair market value. These services can often be obtained for little or no cost to your department.

Regardless of whether Maryville-Alcoa-Blount County utilizes event sponsorships or marketing partnerships, it is important to create a policy that details the types of relationships that will be pursued and the benefits that will be provided or excluded. More importantly, the process of creating this policy ensures that everyone, from Commission board members to staff, is on the same page so misunderstandings do not occur later. The most important part of developing this policy is determining whether the citizens in your community will favor corporate involvement and to what degree.

It is also important to note that a marketing partnership does not mean that the Maryville-Alcoa-Blount County Parks and Recreation Commission would be required to use the product or service of the partner. If you wish, this exclusive relationship can only be for marketing benefits and does not have to involve your purchasing department. You do not have to provide a benefit with which your agency does not feel comfortable. Most companies would like marketing exclusivity in their product or service category, and are comfortable working with you to determine what other benefits can be provided. The more benefits you can provide, the more funding you will receive.

The issue of exclusivity is a sensitive one for public agencies. However, our research indicates that if you advertise that you are accepting bids from companies that would like to "negotiate" with your agency to become the "exclusive sponsor in (product category)," than the need for an open forum has been fulfilled.

Philanthropic

Defined as the concept of voluntary giving by an individual or group to promote the common good and improve the quality of life, philanthropy generally takes the form of donor programs, capital campaigns and volunteers/in-kind services.

Donor programs and capital campaigns involve an organized drive to accumulate substantial funds to finance major needs of an organization. They can be very successful in delivering large sums of funding to an organization that has a significant financial need for a specific project. The right time to conduct this fundraising strategy is when your organization has the will, commitment, and need for a campaign. However, mounting a capital campaign can involve extensive staff and financial resources. Therefore, the planning team recommends outsourcing this task to a firm that specializes in this form of fundraising, or creating a specific position dedicated to partnerships and alternative funding.

Grants

An overview of the common types of grants available is listed below.

a. General Purpose or Operating Support Grants

When a grant maker gives your organization an operating grant, you can use it to support the general expenses of operating your organization. An operating grant means the funding agency supports your organization's overall mission and trusts you to make good use of the money.

b. Program or Project Support Grants

A project grant is given to support a specific, connected set of activities, with a beginning and an end, explicit objectives and predetermined costs. Here are some of the most common types of these grants:

- Planning Grants—When planning a major new program, you may need to spend a good deal of time and money conducting research. You may need to investigate the needs of your constituents, consult with experts in the field, or conduct other planning activities. A planning grant supports such initial project development work.
- Facilities and Equipment Grants—These grants help organizations buy some long-lasting physical asset, such as a building. The applicant organization must make the case that the new acquisition will help serve its clients better. Funders considering these requests will not only be interested in the applicant's current activities and financial health, but will also inquire into the financial and program plans for the next several years. Funders do not want to help an organization or program, only to see it shut down in a few years because of poor management.
- Matching Grants – Many grant makers will provide funding only on the condition that your organization can raise an amount equal to the size of the grant from other avenues. This type of grant is another means by which foundations can determine the viability of an organization or program.
- Seed Money or Start-up Grants—these grants help a new organization or program in its first few years. The idea is to give the new effort a strong push forward, so it can devote its energy early on to setting up programs without worrying constantly about raising money. Such grants are often for more than one year, and frequently decrease in amount each year.
- Management or Technical Assistance Grants—Unlike most project grants, a technical assistance grant does not directly support the mission-related activities of the organization. Instead, it supports the organization's management or administration and the fundraising, marketing, financial management, etc.
- Program-Related Investments (PRIs)—In addition to grants, the Internal Revenue Service allows foundations to make loans—called program-related investments (PRIs)—to nonprofits. PRIs must be for projects that would be eligible for grant support. They are usually made at low or zero interest. PRIs must be paid back to the grant maker. PRIs are often made to organizations involved in building projects.

The following is a list of the grant opportunities and foundations that the planning team suggests Maryville-Alcoa-Blount County investigate.

Land and Water Conservation Fund and Local Park and Recreation Fund

• A federal program that funds the purchase of land and water areas for conservation and recreation purposes; and
• A state matching-grants program that provides funds to states for planning, developing, and acquiring land and water areas for state and local lands and natural resource protection, and recreation enhancement.
• Proposed funding for the State of Tennessee for FY 2004 is $6.1 million. Minimum amount is $10,000 up to $500,000. A 50% match is required.

United States Department of Agriculture

Community Facilities Guaranteed Loan Program

National Endowment of the Humanities

Office of Challenge Grants

United States Department of Commerce

- Public Works Development Facilities Program
- Short Term Planning Grants
- Local Technical Assistance

United States Department of Housing and Urban Development
Economic Development Initiative (EDI)

Tennessee specific grant opportunities are also available. Examples include:

- Tennessee Arts Commission
- State Park Connections (Small Trails Grants)
- Tennessee Recreation Initiative Program (TRIP)
- Tennessee Department of Transportation
  Transportation Enhancement Projects (Trails and Greenways)
- Tennessee Forestry

Recommended Grant Strategy for Maryville-Alcoa-Blount County
Because of the surge of alternative funding options being sought by governmental agencies, the competition for grants and awards has become more competitive than ever. However, the amount of money that can be obtained by virtue of submitting grant proposals is large enough so that it should not be ignored.

Due to the unreliable nature of this method of alternative funding, the planning team recommends that it should be pursued for supplementary income, but not relied on as a primary means of fundraising.

The exception to this is proposing for grants that require matching funds. If other means of fundraising can be used to collect necessary dollars, the Maryville-Alcoa-Blount County Parks and Recreation Commission should aggressively pursue grants that will provide a matching contribution.

Attached in Appendix A is additional information related to grant writing. Appendix B provides an additional list of potential funding sources that may be explored by the Parks and Recreation Commission.

Recommended Plan of Action for Funding

The opportunity for the Parks and Recreation Commission to secure funding for capital expansion and acquisition is key to long-term success. The public and staff have indicated some critical needs in the community regarding more sports fields, tennis facilities, and an indoor recreation/aquatic center for use. To accomplish the development of these facilities, the Commission will have to make funding readily available.

The current funding structure appears to be quite limiting. The Commission utilizes the three jurisdictions to support operations and capital expansion. The types of collections received from the cities and county include property tax collections, sales taxes, and miscellaneous small fees. The reliance on property taxes is typical, but the need to diversify the funding structure is needed to cover for possible shortfalls in housing construction and/or rollbacks that governments sometimes incorporate to limit tax collections.

The Commission relies upon the collection of user fees to offset the subsidy provided by the governing bodies. Currently the Commission collects approximately 36% of operating costs through program fees. Considering the agency has no true revenue producing facility in its inventory, this amount is a good collection rate. More emphasis on increased revenue collection needs to occur once a facility is developed that can house fee-generating programs, rentals, and events.

The Commission should embrace a more diverse funding stream made up of both traditional and alternative funding methods. The consultant team found that the County does not collect impact fees from residential development. Many jurisdictions throughout the country use this fee as a way of offsetting new growth by having new residents "pay" for the facilities and services they receive. The Commission may want to explore this method to provide dollars for development and operations as Blount County grows.

Other methods of traditional funding should be explored to find a compatible fit with the Commission. Some of these include revenue bonds, general obligation (GO) bonds, advertisement sales, concession sales and naming rights. Another funding mechanism, the hotel/motel tax, is currently being used and is bringing in sizable amounts of revenue to tourism-based ventures. The Commission needs to educate the business and lodging community about the economic benefits of recreation, parks, and trails and attempt to receive funding from this tax. Tacking on an additional ½ cent could realize revenue of over $170,000 per year (estimated).

Coupled with the traditional are the alternative funding methods that more and more departments are using. One that the agency is currently using in a limited capacity—partnerships—is growing in appeal due to many factors including the reduction of duplication of services and utilizing two or more groups to develop facilities that reduces initial capital outlay from one group.

Partnerships involve more than development capital and can include program assistance and marketing. One recommendation the research team favors is the Parks and Recreation Commission to develop cooperative marketing partnerships. Due to the size of staff, County, and corporate base in the community, cooperative marketing partnerships allow the Commission flexibility in the way partners are secured and how they are promoted.

Philanthropic giving and securing grants are another way the agency can secure dollars for capital, programming or operations. In the way of grants, there are many methods of securing funds and many agencies providing grants from local to federal departments. The planning team recommends that the Parks and Recreation Commission seek grants as a way to supplement the agency budget but should not be relied upon as a primary way of raising funds. The Team also recommends a “plan of attack” for securing funds whether it is done internally or through an outside agency.

Relative to pricing programs, the goal should be to collect as much revenue as is possible through user fees. Although some programs may be classified as benefiting the community and priced low or free, many activities listed in the program guide could be viewed as specialized for people with specific skills and/or interest. In these cases, the planning team feels that the Commission should focus on recovering all indirect and direct costs attributed to that program.

Over the next six months, we recommend the Commission use the Pricing Pyramid Model discussed in section 5 to determine costing programs. Using this model will allow staff to address each program’s fees, what will be needed in attendance to cover costs, and also give the Commission the tools to determine which programs are succeeding and which may be ending their life-cycle and need to be phased out.

Summary of Funding, Actions, Measures, and Outcomes

Task	Measure/Outcome	Responsible Party
Institute a study to identify traditional and alternative funding scenarios to best fit future development and maintenance of facilities.	Begin study in September 2004 for implementation in FY 2005-2006 (may wish to consider hiring a firm experienced in developing long-range funding plans).	Executive Director
Institute Fee Policy for existing and new facilities.	Begin fee study in October 2004 for implementation in FY 2005-2006; use Pricing Pyramid Model (may wish to consider hiring a firm experienced in pricing policies)	Executive Director, Assistant Director, Recreation Division, Aquatic Services
Revenue recovery should reach 50% by FY 2007*	Recovery should reach 50% for 2007-2008 for Commission.	Executive Director, Assistant Director, Recreation Division
Agency needs to create partnership policy.	Create document for implementation in January 2005 (may wish to hire firm experienced in developing partnership policy)	Executive Director
Agency needs to incorporate a Plan of Attack for seeking grants and philanthropic funding.	Develop grants manual for implementation in 2005. May want to hire an outside firm that would seek grants on behalf of Commission.	Executive Director

*Contingent upon development of revenue-producing recreation center.

The previously discussed funding options offer various methods for achieving the ambitious facility recommendations contained in this master plan. A capital improvement funding plan has been provided based on a combination of viable funding solutions including:

- Sales tax revenues allocated to parks and recreation
- Hotel/motel tax collections dedicated to parks and recreation
- Property tax collections dedicated to parks and recreation
- Increasing allocations from the general operating funds of Maryville, Alcoa and Blount County.

Sales Tax Collection

As previously discussed, sales tax collections are often used as a means to fund large capital improvements. Based on financial data obtained from the City of Alcoa (data was not available from Maryville or Blount County), the commission should explore the increase of a ½ cent sales tax to pay for improvements to the system. The current collection is 2 ¼ cents which is divided among the school districts and the three governments. The City of Alcoa is budgeting collections at an estimated $6.2 million for 2004. The total projected collection from the sales tax is $1,008,633,301 of which Blount County will receive $22,694,250. A ½ cent increase would have the potential to generate an additional $5,043,166. The school system receives half of any increase in sales tax which would leave $2,521,583 for parks and recreation. Over a 15-year period this would generate over $37.8 million in today's dollars for improvements.

Property Tax
The county is expected to continue to see high growth rates for the foreseeable future. The household growth rate is expected to be 8% by 2008. It is expected that by 2008 the total households in Blount County will number 50,000 with nearly 38,500 being owner occupied.

The City of Alcoa recently increased its property tax levy from 2.15 to 2.20. This nickel increase is expected to generate $130,000 to $142,000 annually (Source: City of Alcoa Finance Department). In 2003, the City had an estimated 3,678 homes. Using this data, we can determine that each home is impacted an estimated $35 annually from the tax increase or roughly $7 per penny levied.

Extrapolating out these numbers to include County residents, it can be estimated that a .05 cent property tax increase for parks and recreation would generate $1,347,000 annually. If this source were to maintain a static revenue over 15 years, the increase could generate an estimated $20.20 million.

Hotel/Motel Tax
As previously mentioned the hotel/motel tax is expected to generate $1.375 million in 2004. The addition of ½ cent dedicated to parks and recreation improvements could bring in $171,000 annually in today's dollars. Using a conservative growth rate of 4% annually (current growth is 6.8%) the hotel/motel tax could generate $3,498,000 over a 15-year period.

Increase Annual Appropriation for Operating Budget
The Commission receives approximately $1.31 million to fund operations. These funds come from the three jurisdictions.

Using a per capita spending analysis, the Commission is roughly spending $17.79 per capita. When looking at comparable systems the Team has examined, this figure is on the low end of the spectrum.

As a way to bring spending in line with existing and planned facilities, the Commission could explore seeking funding of an additional $1.5 million to fund increased capital spending and offset proposed new maintenance expenditures.

Using this additional spending as an initial benchmark, per capita spending would reach approximately $31.35.

General Obligation and Operation Funding Mechanism

The Maryville-Alcoa-Blount County governments could employ any combination of the previously discussed funding options to realize recommended improvements. Figure 8.1 provides a debt payment scenario based on a $55 million, 15-year bond at a rate of 4.5%.

Operating deficits use the assumption that the Commission would lease the TVA land in the initial year of the plan (2005). This operational impact is increased in 2007 when the proposed sports complex/recreation center is developed. Each year shows an increase of 3%.

Sales tax revenue collections show an initial collection rate based on 2003 estimates. The Team has increased the tax collections at a rate of 2% annually through the debt period.

It is currently estimated that the lodging tax would be implemented in 2005 using FY 2004 collection numbers. It is assumed that this collection would increase an estimated 4% annually through the bond cycle.

Property tax collections use figures from the City of Alcoa. The figure represented through the debt period is static and does not account for valuation increases.

Operating fund increases are tied to the Commission reaching an adequate funding figure to account for existing and proposed development. The initial increase of $1.5 million is to cover existing shortfalls and maintain the TVA land. In 2007, increases in this line item are tied to increased maintenance at newly acquired sites, facilities, and parks. The Team used a figure of $4,000 per maintained acre for proposed high-use/maintained sites (sports complex, recreation center, etc.) and a figure of $2,000 per acre for mainly passive/natural park areas, (TVA, greenway areas, etc.).

As depicted, there is projected to be a positive fund balance at the end of each year. While these are merely projections and the climate can change, the ending positive balance could be used to:

- acquire land or develop sites that were not identified in this initial bond program
- establish a maintenance endowment for the recreation center
- set aside funds for capital replacement/repair
- accelerate the bond payoff