

# Revenue 101

The Foundation for a  
Revenue Management  
System



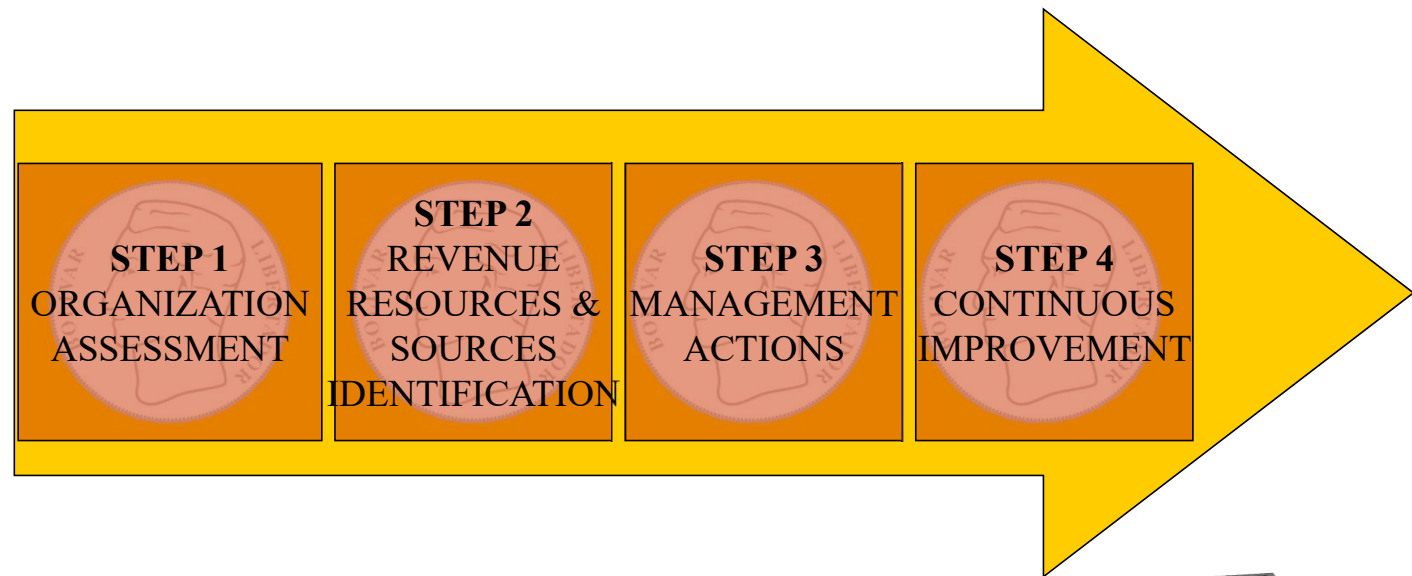
# Revenue (Financial Management) System



The process of planning for, acquiring, and using funds to achieve pre-determined organizational goals and objectives

- *Fiscal Policies*
- *Mix of financing alternatives*
- *Fiscal guidelines and controls*

# Revenue Management System



# Learning Outcomes



1. Identify the four components of a Revenue Management System (RMS)
2. Identify the components of a Monetary Environment
3. Recognize the four Revenue Classifications
4. Describe the three stages of Management Actions Implementation and relationship to RMS
5. Develop a S.W.O.T. analysis and Cost of Waste assessment tool for your organization


# Monetary Environment



Replacement  
Government  
Commercial  
Contractual  
Credit  
Non-profit  
Businesses  
Grants  
Income  
Budget  
Special  
Revenue  
and  
Funds  
Foundations  
Classifications  
Cash  
Philanthropic  
In-Kind  
Debt  
Council  
Receipts  
Operational  
More  
Rating  
Business  
Improvements  
Agencies  
Sponsorship  
Sources

# Organizational Assessment and Direction

Revenue  
Management  
System

- 
- Organizational Needs
  - Audits/Financial Status
  - Fiscal Policies
  - S.W.O.T. Analysis

# Audits/Financial Status



- Fixed Asset
- Inventory
- Comprehensive Annual Financial Report (CAFR)
- Analysis

# Fiscal Policies



- Cost Recovery Policies
- Fund Usage Policies
- Capital Replacement Policies
- Capital Development Policies
- Investment Policies
- Debt Service Policies
- Fund Balance Policies
- Insurance Policies
- Privatization Policies
- Land Acquisition Policies
- Audit Policies
- More

# Organizational Needs

Organizational  
Assessment



- **Mission-(What you do)**
  - Parks, Recreation, Environmental, Historical, Cultural, Zoological, museum, Fitness, Golf, Tennis, Library, etc...
- **Service Functions-What's more important?**
  - Research, Planning, Acquisition, Design, Development, Employment, Education, Programming, Operation, Maintenance
- **Revenue Uses-What to do with the \$?**
  - Capital Improvements, Capital Replacement, Operational Services, Principal Investments

# Organizational Assessment and Direction

Revenue  
Management  
System

## S.W.O.T. ANALYSIS

<b><i>Internal</i></b>	<b>Strengths</b>	<b>Weaknesses</b>
<b><i>External</i></b>	<b>Opportunities</b>	<b>Threats</b>



# S.W.O.T. ANALYSIS

Organizational  
Assessment



- **Strengths Box**

- What are your financial or revenue advantages?
- What do you do well as it relates to revenue production or management?
- What do other people see as your revenue strength?

- **Weaknesses Box**

- What could you improve on in revenue Management?
- What do you do badly?
- What should you avoid?

# S.W.O.T. ANALYSIS

Organizational  
Assessment



- **Opportunities Box**
  - Where are the opportunities to increase revenue?
  - What are the interesting trends in revenue management and do they provide opportunity for you?
- **Threats Box**
  - What obstacles do you face?
  - What is your competition doing?
  - Are there required specifications or regulations changing for revenue or financial management?

# Revenue Resources & Sources Identification

Revenue  
Management  
System

## Revenue Resources

- Cash, Land, Facilities, Equipment, Materials, Supplies, Personnel, Services
- Note: *Non-Cash Revenues can have a greater value*



# Revenue Sources

Revenue  
Resources/Sources  
Identification

Where can you tap into the different types of Revenue?

- Government Agencies
- Philanthropic Foundations
- Commercial Business
- Voluntary Organizations
- Supportive Individuals



# Revenue Classification

1. Compulsory
2. Earned Income
3. Contractual Receipts
4. Financial Assistance



# Compulsory Resources



- Revenue collected through taxing, regulatory, and review powers of a government body. They come from general taxes on:
  - Property
  - Income
  - Merchandise Sales
- They can be provided through special assessments to benefit a specific property or geographical area

## Earned Income

Primarily generated through fees and charges for leisure areas, facilities, equipment rental, materials, supplies, personnel and programs. The seven service fees and charges are:

- |                   |                         |
|-------------------|-------------------------|
| 1. Entrance Fees  | 5. Sales Charges        |
| 2. Admission Fees | 6. License/Permit Fees  |
| 3. Rental Fees    | 7. Special Service Fees |
| 4. User Fees      | Other?                  |



# Contractual Receipts

Cash and Non-Cash revenues received through legal agreements with private investors

- |                          |                      |
|--------------------------|----------------------|
| 1. Land Leases           | 6. Sale, Lease Backs |
| 2. Facility Rentals      | 7. Loans             |
| 3. Operation Concessions | 8. Bonds             |
| 4. Lease Concessions     | 9. Sponsorships      |
| 5. Lease, Lease Backs    | 10. Other?           |



# Financial Assistance

Revenue  
Classification

This can be in the form of:

1. Project Grant
2. Block Grant
3. Specific/General Entitlements
4. Legislative and Administrative Special Appropriations
5. Donations
6. Planned Giving



# Management Actions

- Revenue Planning
- Revenue Generation
- Revenue Administration/Implementation



# Revenue Planning

“If it’s not in writing it’s not going to happen”

1. Revenue Mission Statement
2. Revenue Goals & Objectives
3. Pricing Strategy & Fees/Charges Guidelines
4. Time Frame for Implementation
5. Measurements for Success or Failure
6. Process Stage for Continued Improvement



# Glenview's Key Performance Indicators

- Capital project financial performance
  - Budget vs. actual and percentage of projects completed
- Operation Budget performance
  - Not to exceed 10% plus or minus
- Alternative revenue growth
  - 2% growth

CHARTING  OUR  
FUTURE  
a 10-year plan for the **Glenview Park District**

# Revenue Generation

## Fiscal Techniques

- Budgeting
- Bond Campaign
- Pricing Structure and Philosophy
- Merchandising
- Contract Management
- Grantsmanship
- Sponsorship



# Revenue Generation

Other areas to consider in your revenue generating process

- Communication Forms
- Informational Mediums
- Delivery Locations
- Presentation Settings
- Benefactor Cultivation
- Revenue Approvals



# Revenue Administration

- This is the final stage
- Who will handle the administration
- How will they handle administration



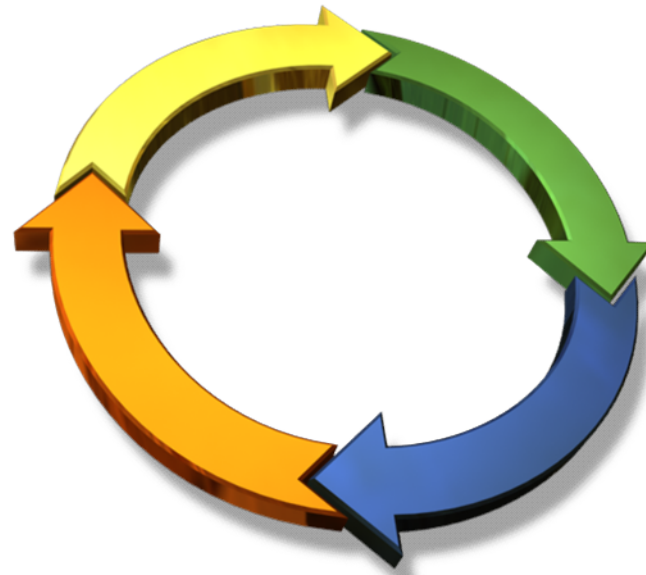
# Revenue Administration

This is the final stage of the Management Action Steps. This is where you decide who and how will someone handle the following:

- Benefactor/Sponsor Expectations
- Implementation Schedules
- Expenditure Budgets
- Funds/Accounts
- Records/Reports
- Follow-up Activities
- Benefactor/Sponsor Appreciations



# Continuous Improvement

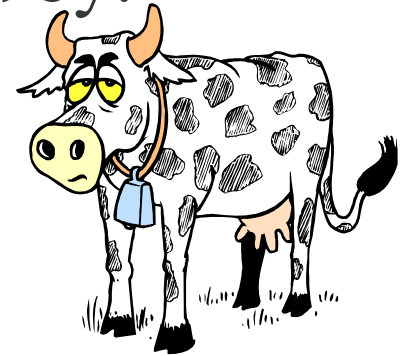


Continuous Improvement can be achieved through the use of the Cost of Waste Evaluation Tool

## Cost of Waste



- Cost of Waste or C.O.W. is the financial measurement of performance losses such as loss opportunity and waste. It's Caused by:
  - Doing things wrong (scrap)
  - Doing things over (reworking)
  - Doing wrong things (waste)
- Performance Losses waste as much as 20% to 30% of operating expenses



# Performance Losses

Cost of Waste

## Types of Performance Losses

### 1. Unnecessary Expense

- Lost time, wasted or scrapped materials, and extra \$ for services


### 2. Asset Utilization: poor use of resources

### 3. Cycle Times: delays cost and affect delivery

### 4. Lost Opportunities: repeat customers and referrals.



# Performance Losses

- 
- What unnecessary expenses exist in your organization?
  - What examples have you seen of lost asset utilization in your organization?
  - Where are work tasks delayed in your organization? (i.e., lack of info, checking or reworking)
  - Where are the lost opportunities in your organization?

# Discovery Techniques

Cost of Waste has to be discovered and quantified to be used as a tool. Identify and calculate costs using the following:

- Chart of Accounts Review
- Event or Incident Pricing
- Activity Analysis



# Identify Significant C.O.W.'s

Discovery  
Techniques



EXPENSES	ASSESTS	CYCLE/ RESPONSE TIME	OPPORTUNITY

# Calculate or Estimate C.O.W



ITEM	DESCRIPTION	EFFECTS	MEASUREMENT/ COST

## How to use your C.O.W



- **To Get Attention** of management, supervision and people involved in the transaction
- **To Prioritize** improvement efforts. Which transactions need attention first?
- **To Justify** investment of time or resources by showing the “pay back”
- **To Measure Progress** over time. Set annual goals for Cost of Waste reduction, continually driving their improvement efforts

# Revenue Management System



Thank You!



# Resources



- Management of Park and Recreation Agencies, Third Edition, National Recreation and Park Association
- Revenue Management and Development School
- International City/County Managers' Association
- [Michael.McCarty@glenviewparks.org](mailto:Michael.McCarty@glenviewparks.org)