

A FREE-MARKET GUIDE FOR MISSOURI MUNICIPALITIES

PART FOUR: PARKS AND RECREATION

By David Stokes

ADVANCING LIBERTY WITH RESPONSIBILITY BY PROMOTING MARKET SOLUTIONS FOR MISSOURI PUBLIC POLICY



KEY TAKEAWAYS

- Some park assets should be funded by taxes, and some assets should be funded primarily by user fees. The reasons and differences are important, and municipalities should take care to organize the proper funding systems.
- Park and recreational facilities are an excellent opportunity for outsourcing to the private sector and for service sharing with other governments. However, full privatization of park and recreational facilities will not be the best option in most instances.
- Extravagant municipal fitness centers compete with the private sector. Cities should think twice before building them.

INTRODUCTION

This is Part Four in a series titled "A Free-Market Guide for Missouri Municipalities." The focus of this part of the series is on municipal park and recreation services and facilities.

Part One covered the structure and organization of municipal government itself, including the reasons for incorporation, how cities compete with each other through a menu of taxes and services, and the question of whether to hire a city manager.

Part two focused on municipal taxation. Missouri municipalities have an unsound reliance on sales and (in two cities) income taxes for revenue. Property taxes and, where appropriate, user fees, should be a larger part of the municipal revenue mix. This part of the guide analyzed the various municipal revenue options and their proper use.

Part three examined planning and zoning policies in municipalities. This is the one major policy area where simply not acting is a valid option. Municipalities can function just fine, thank you, without zoning and comprehensive planning. (Some level of infrastructure planning, however, is generally necessary.)

Subsequent parts will be released on public safety, transportation, public works, and public health. The overall project is organized by content area and is intended

to serve as a resource for municipal officials, community activists, and interested citizens. Each part of this guide combines current examples, historical knowledge, political realities, and academic studies on the operation and management of municipalities in our state.

As noted throughout this series of guides, the adoption of free market—oriented public policies by governments has the potential to dramatically improve lives around the world. If Missouri's cities, towns, and villages adopt many of the policies discussed in this series the quality of life of the people of Missouri should be improved.

The policies discussed in this series of reports are difficult to characterize politically. Some could be considered progressive (liberalizing zoning and limiting tax subsidies), some conservative (eliminating local income taxes and reducing union influence on licensing), and some libertarian (privatizing public services). However, all the policies discussed have been implemented somewhere in the United States—and usually somewhere in Missouri—with beneficial results.

As a reminder, I use the term free market-oriented policies throughout this project in a broad sense. It encompasses policies that create a more optimal system of taxes and land regulations, save taxpayers money by sharing or outsourcing services, deliver higher-quality public services through competition or privatization, and expand opportunity by reducing barriers to homeownership, employment, and entrepreneurship. Inertia is an extremely powerful force in local government. Arguments such as "We've always done it that way" or "Most cities do it like that" carry considerable weight in local policy and politics. This guide presents examples of cities, towns, and villages that enact policies to provide a wide variety of public services in a more market-oriented, limited-government manner. If we can succeed in bringing attention to such examples—even when small or rare—to those involved in the daily operation of local governments throughout Missouri, this project will be a success.

In these guides, the term *municipality* will refer to all three recognized types of incorporated communities: cities, towns, and villages. When *city, town*, or *village* is used, it generally refers to individual examples of each, or to laws and policies specific to that type of

incorporated community. *Town* is less clearly defined in Missouri law than the other two, so that term will not be used in a specific sense. Habit, simplicity, and a desire to vary the terminology will result in my occasionally using *city* as shorthand for all types of municipalities. Finally, in instances where a municipality shares its name with another form of government, such as the City of Ozark and Ozark County, the author is referring to the municipality unless it is clearly stated otherwise.

PARKS AND RECREATION

Parks and recreation centers are a vital part of local government services. National parks and many state parks are beloved destinations, but local parks are a part of daily life. Parks are places for both passive and active enjoyment, and differing aspects of parks can be funded accordingly.

Parks are a classic public good as economists use the term (see the glossary for a definition of "public good"). That is, a park is non-rivalrous—my use of the park does not impact your use of the park—and non-excludable—it isn't practical to attempt to exclude someone from the park anyway. Nobody wants a community park with a gate around it, a limited access point, and a fee when you enter. That system may work for Yellowstone and other major destination parks, with their limited access points from roads, but not for a neighborhood park. We want to be able to walk into our municipal park when and where we want and to pay for it out of general taxes, not entrance fees. That is how municipal parks in Missouri are provided and funded.

But that same logic does not apply to other major aspects of parks, which are recreation facilities. Many recreation facilities are rivalrous—your use of a tennis court on a beautiful day means someone else is likely waiting to use it—and excludable—it is simple and even desirable to keep people out in certain instances (e.g., we want a fence around the city swimming pool for safety purposes). Finally, the costs imposed by the users of the various park facilities varies widely. People walking along the park's paths impose far less in costs on the facility than a bad golfer taking 120 divot-filled hacks on the municipal golf course. General taxes can be used to fund a portion of these recreational assets, in particular capital and other

long-term costs, but user fees can and should be the focus for operating costs at recreational facilities.

Government can fund its service through taxes or fees. Taxes are unavoidable (or at least very hard to avoid). Fees have an element of choice to them, although the real level of choice involved varies by the fee. You can avoid the "fee" for your car's license plates and your driver's license by choosing not to drive, but that is not a realistic option for most Missourians. Most usage of recreational facilities, however, has a strong element of real user choice to it. Because user fees are common in government park and recreational facilities at all levels, there has been an ongoing debate as to their appropriate use (see the glossary for a definition of "user fee").

David Duff studies the use of user fees in Ontario, Canada, and summarized their benefits and flaws as follows (emphasis added):

User fees are neither the panacea for public finance that some imagine them to be nor the "reactionary" levies that others denounce. On the contrary, . . . they are simply one method of raising government revenue that may be appropriate in some circumstances and inappropriate in others. While these levies can have significant advantages in terms of efficiency, accountability, and fairness, they are generally inappropriate for financing pure public goods and redistributive transfers, and they must be applied cautiously as a means of financing goods and services that are properly distributed according to right, need, or merit. . . . Finally, one should not ignore the potentially regressive incidence of these levies, best addressed through compensatory measures designed to offset increased burdens on low-income groups. Subject to these important caveats, however . . . user fees can be a useful way to raise revenues to finance publicly provided goods and services, one that can improve the allocation of scarce economic resources as well as promoting accountability and fairness. In order to achieve these advantages, however, these levies should generally be imposed at economically efficient rates, with revenues earmarked for the goods and services for the use of which the specific . . . fee is imposed.1

The objections to user fees for park and recreation assets fall along two lines: concerns that user fees make the facilities less available to lower-income people, and concerns about paying for something from taxes and then being required to pay for it again when one actually uses it.² Research has found that lower-income residents will travel a significantly longer distance for free recreational services and skip over closer recreational options that have a fee.³ However, the benefits of user fees in these cases are substantial, including revenue generation, budget accountability, limitations on environmental damage to parks, and avoiding compelling general taxpayers to pay for specialized facilities like ice rinks.⁴

Some of these concerns over user fees are lessened at the municipal level. Charges to simply enter may be common at national parks and some state parks, but to the author's knowledge no municipal park in Missouri charges a fee just to enter for reasons described in the discussion of public goods. Trails, playgrounds, picnic sites, and general green space should be—and are—funded by taxes rather than fees. However, for more specialized services user fees are more effective. The user fee need not cover 100% of the operating costs of a facility. Subsidizing certain facilities in part with taxes can be appropriate in the interest of making sure the facility is open to as many people as possible. Swimming-pool fees, for example, should be low enough that a lower-income family can attend on a hot summer day, but making that same pool free could easily result in overcrowding that would ruin the experience for everyone (and make it unsafe).

Outsourcing Literature Review

A substantial body of academic research has evaluated whether American cities can reduce costs by contracting out parks, recreation centers, and related maintenance services. The findings are remarkably consistent: When these activities are competitively bid and well managed, cities tend to save money without sacrificing service quality.

One of the strongest studies was a national analysis that compared the spending patterns of cities that outsourced parks and recreation services to those that provided them in-house.⁵ After accounting for the fact that fiscally stressed cities are more likely to privatize in the first place, researchers found that cities that engaged in contracting

spent significantly less than their peers after controlling for population, income, and service needs. Outsourcing park and recreation services lowered costs.

International evidence leads to the same conclusion. A comprehensive review examined thirteen empirical studies of contracting out green space and park maintenance.⁶ Seven of the thirteen reported clear cost reductions, with many finding savings in the 10 percent range. Several studies also identified improvements in technical efficiency, as private contractors tended to adopt modern equipment and scheduling practices more rapidly than municipal departments.

Analysis of national surveys of municipal contracting, such as the International City/County Management Association's (ICMA) Alternative Services Delivery Survey, places parks and recreation among the most frequently outsourced and least risky public services ("least risky" meaning that the harms involved with a deal going poorly are temporary and minor.). Researchers consistently classify park and landscape maintenance as services with measurable outputs, competitive markets, and relatively low transaction costs—the exact conditions under which contracting is most likely to reduce city expenditures.⁷

Nonprofit contracting shows similar promise. Studies of New York City's park conservancies demonstrate that private philanthropic partners can offset substantial municipal operating costs. Research finds that nonprofit spending on parks often acts as a substitute for city spending, allowing municipalities to stabilize or reduce their own contributions while maintaining or improving park quality. Central Park is the most famous example of this model, but dozens of cities now rely on "friends groups" or conservancies to manage amenities, programming, or capital improvements that previously stretched tight public budgets. As discussed elsewhere in this report, Forest Park, Faust Park, and Tower Grove Park are three major St. Louis parks that embrace this model.

Finally, voters can differentiate between outsourcing some park or recreational operations and vending, and full privatization of park assets. For example, a survey of Seattle residents during a park-funding shortfall found that 70 percent supported contracting with private vendors for some park service, but 65 percent opposed full privatization of park resources.⁹

Golf Courses

Instead of spending tax dollars to operate complicated facilities, cities can enhance revenue and focus on core services by outsourcing the operation of recreational assets to companies that specialize in those areas, such as golf course management. For example, St. Louis received \$402,260 in 2021 in lease payments from private operators to operate the public golf courses in Forest Park. It received another \$167,349 in lease payments from the private operators of The Highlands, which manage a semi-private golf and tennis facility in the park. These arrangements provide better services for the public and a better result for taxpayers.

The Reason Foundation has long researched successful golf course outsourcing examples. Reason documented how in 2014:

Phoenix approved a 30-year lease of the city-owned Maryvale Municipal Golf Course, which had run up millions of dollars in deficits over years, draining over \$250,000 out of the general fund each year. Facilities had fallen into grave disrepair. Again, this sounds very familiar. The new private managers took on all operating costs and invested \$8 million for course repairs and an upgraded clubhouse, and it will pay the city of Phoenix 10% of net revenues after it recoups its upfront investment. This arrangement worked so well Phoenix went on to privatize six other city-owned golf courses.¹²

Kansas City contracts with Orion Management Solutions to operate several of its municipal golf courses. Other cities that contract for golf course management include Excelsior Springs, West Plains, Moberly, Chillicothe, Boonville, Neosho, Nevada, Blue Springs, and Warsaw. When West Plains was considering hiring an outside contractor to manage its course, the city administrator of Warsaw sent a letter of support that explains the benefits of outsourcing this service. He wrote:

I have been with the City of Warsaw for 24 years and our golf course was always a burdensome problem under our management. We were losing customers and the actual course itself was not consistent year after year for patrons to want to continue using the course. About six years ago we decided to hire a management company to relieve us of the duty of the golf course

management. . . . We started to see positive changes in 2019. In 2020 the course condition was obviously getting better, and this year, the course condition and patronage usage hit a level we have not seen in over a decade. 13

Swimming Pools

Recreational facilities are a perfect example of municipal opportunities for outsourcing and privatization. In 2021, the St. Louis suburb of Des Peres outsourced the management and lifeguard services for its swimming facilities to Midwest Pool Management (MPM). Des Peres estimated it would save between \$60,000 and \$80,000 per year by outsourcing the operations. MPM operates aquatic centers for numerous cities throughout Missouri, including the Springs at Tiffany Hills in Kansas City and swimming pools in Pleasant Hill, Eureka, Cameron, Pacific, Ferguson, Berkeley, Maplewood, Richmond Heights, Warrensburg, Blue Springs, Grain Valley, Harrisonville, Odessa, Independence, and Belton. 15

Not all outsourcing changes are permanent. In fact, Des Peres took pool management back in-house in 2022. Ferguson is another city that outsourced its pool management and later took it back in-house. The contracts should be bid out frequently, and if the cost savings for municipalities are no longer there, then a switch in vendors or a return to municipal management should always be on the table.

However, while Ferguson and Des Peres may well have brought pool management back in-house for solid fiscal reasons, the author would be foolish not to note that almost all attempts at outsourcing or privatization are strongly opposed by municipal employee unions. As one study on privatization stated:

In the United States, the main political factor favoring in-house provision is the clout of public employee unions, which have emerged as the strongest opponents of privatization. Politicians seek to win the support of these unions, which are the major beneficiaries of in-house provision, or at least avoid their active opposition.¹⁶

Tennis Centers

Kansas City has a beautiful public tennis center along its famous plaza. St. Louis has two large tennis centers in its large park, Forest Park. All of them are operated by private entities. The Kansas City Plaza courts had been operated by the for-profit Genesis Health Clubs, but in 2024 the regional chapter of the United States Tennis Association (USTA) took over operation of the facility. Genesis lost the contract on the tennis center when it stopped making lease payments in 2023. That is a good reminder that privatization and outsourcing deals do not always work out as planned. Municipalities need to be ready to end contracts and move on to other options when contractors do not live up to their end of the agreements.

Clayton is another municipality that contracts out the management of its tennis center.

Tennis facilities also offer an opportunity for service sharing with other governments. Several municipalities have cooperative operating agreements with their local school districts to share management costs for tennis facilities. Obviously, the school districts benefit by having tennis courts for their high school tennis teams without having to pay the full cost of the courts. The municipalities also benefit by not paying the full cost of the courts but still having them available for public use most of the time. Liberty, Marshfield, and Reeds Spring are three municipalities that contract with their local public school district in this manner, while Town & Country contracts with a private high school within the city.

Webster Groves is an example of operating a city tennis center in multiple, cooperating ways. Webster Groves entered into an agreement with Webster University and Nerinx Hall, a local private high school, to jointly renovate the tennis facility in 2018. All three entities helped fund the renovations, and all three entities share the usage of the courts for their various needs. Webster Groves also allows residents of neighboring Glendale to use the tennis center at resident rates. As for Glendale, instead of constructing its own expensive recreational facilities, the city has agreements with both its larger neighbors, Webster Groves and Kirkwood, that allow Glendale residents to use their various aquatic, tennis, and other park facilities at residential rates. 19

Other Recreational Facility Options

Other recreational facilities that are ripe for contracting and outsourcing management include ice rinks (Steinberg Skating Rink in St. Louis), restaurant facilities within parks (the Creve Coeur Lakehouse restaurant in St. Louis County), and city park lawn-mowing contracts (Kansas City Parks, to give just one example).

Not all of these private operators are for-profit companies. As noted earlier, sometimes nonprofits are best equipped to provide the best recreational service at the best price. For example, for many years, Cameron contracted with its local YMCA to operate its municipal pool (although Cameron has recently switched to contracting with MPM). In the 2017 ICMA survey referenced previously, 30 percent of municipalities depended on either nonprofit groups or volunteers to operate youth recreation programs in their city.²⁰ The Kansas City USTA chapter mentioned previously that operates the plaza tennis facility is a nonprofit entity.

Service Sharing of Facilities

Park and recreation facilities are also an excellent opportunity for service sharing among municipalities. People from one municipality often use parks in other cities; nobody wants to check IDs on people who simply wish to relax in a park. There is no reason municipalities should not allow residents of other communities to use recreation facilities as well.

In St. Louis County, the cities of Richmond Heights, Maplewood, and Brentwood formed the Parks and Recreation Cooperative in 2003.²¹ The three suburbs were well situated for such an agreement, as all three had different recreational assets to bring to the partnership. Brentwood has an ice rink, Maplewood has a large outdoor pool, and Richmond Heights has an indoor, year-round aquatic center with additional amenities. The three cities agreed to offer residential user rates for the people of all three cities in each facility. The partnership is still in effect today and has been a very successful example of municipal service sharing that can, and should, be copied by municipalities throughout Missouri.

Springfield operates its entire park system in conjunction with Greene County, to give another example of proactive

sharing of resources and revenue sources. As an example that there can always be too much of a good thing, the Springfield-Greene County parks board owned and operated a professional sports franchise—the Springfield Lasers World Team Tennis team—until the league ceased operations in 2021.²² In this manner, Springfield was much like Green Bay and the Packers, albeit with far less national attention.

Fitness Centers

It has become popular for Missouri municipalities to construct fitness centers, but this is not the proper role for government. Many park and recreational facilities do not compete with the private sector at all (e.g., playgrounds and picnic sites), or do so indirectly (e.g., municipal golf courses versus country clubs), or only in a partial capacity (e.g., public, outdoor tennis courts usable in good weather versus private, indoor racquet clubs open year-round). Municipal fitness centers, on the other hand, provide a taxpayer-subsidized service that the private sector has long been able to meet. Beyond privately owned fitness centers and unlike golf courses, ice rinks, swimming pools, and tennis courts, the average Missourian can put basic fitness equipment into their own home for a reasonable cost.

In 2013, Springfield built a taxpayer-funded \$7 million recreation and fitness center that immediately competed for the same customers that existing private fitness centers already served. The taxpayer-funded Dan Kinney Family Center was unfair to those businesses that took the risk of opening up facilities in Springfield without government assistance. Even with the center's reliance on user fees for operating costs, it still impacted most of Springfield's taxpayers, who likely won't use the new center's services but will have to subsidize the membership of others. After all, the capital costs were paid for by tax dollars, and the center itself is tax-exempt.

This kind of government-funded displacement has forced many other profitable private fitness centers to go out of business or see a significant reduction in costumers. When Vancouver, Washington, opened its own municipal community center with extensive fitness equipment in 2006, several existing private fitness clubs closed or significantly reduced operations.²³ In Tucson, Arizona, a city facility forced a private club into bankruptcy. In

Breckenridge, Colorado, three private facilities were forced out of business within six months by a large city facility.²⁴

For the Springfield proposal, taxpayers shouldered the initial burden of \$7 million, and residents who were already members of another gym in the area paid the costs. Members of the local YMCA and the private Ozark Fitness Center, for example, effectively had to pay for both gyms. "We don't believe a government entity should be trying to compete with a private or nonprofit organization," said Brad Toft with the Ozarks YMCA as quoted in the *Springfield Business Journal*.²⁵

Springfield is far from the only municipality to build such an extravagant recreational facility with extensive fitness equipment. A short list of other cities that have done so within St. Louis County alone includes University City, Clayton, Des Peres, Richmond Heights, and Sunset Hills. ²⁶ Municipal government should not subsidize yet another competitor in a market that already adequately supplies such services to its community.

Private Parks

There are a small number of private parks in Missouri. Maramec Spring Park near St. James is operated by a local foundation, The James Foundation, and is similar in operation to a state park. The Missouri Department of Conversation even stocks the park's water with trout for fishing. The park is open to the public and charges a percar daily entrance fee along with additional fees for fishing and camping.

Pinnacles Youth Park near Columbia is operated by the Boone County Pinnacles Youth Foundation. This park is similar in operation to many county parks. It has trails for hiking and shelters for rental. It charges fees for shelter rental and seeks general donations to operate the park.

Dogwood Canyon Nature Park in Lampe, near Branson, is managed by the Johnny Morris Foundation. It offers hiking, fishing, biking, and other activities, along with facility rental and dining. It charges a daily fee to enter, though it, like Maramec Spring, also sells season passes.

Sherwood Park in St. Joseph is the final example. It operates much like a typical, small city park. It is a green space with picnic areas, operated by a local family.

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Many of the private place subdivisions that were built in St. Louis in the late 1800s and early 1900s had (and continue to have) very small parks as part of their neighborhoods.

More applicable to municipal policy are the city parks that have private foundations that augment park tax funding with additional support or operate aspects of the park independently, such as Forest Park Forever and the Tower Grove Park Foundation in St. Louis. While that model is not necessarily applicable to ordinary city parks, it has been successfully used for unique or special parks around the nation, such as Bryant Park in New York City.

Working with philanthropic groups to expand, operate, and fund parks in partnerships with municipalities is a wonderful option around Missouri. Furthermore, while they may never become common, private parks should be encouraged where they exist or are proposed.

CONCLUSION

People want and deserve easy access to local parks, and providing those facilities is a legitimate role of local government. Full privatization of park and recreational facilities is difficult and undesirable to the public. The facilities are usually on publicly owned parkland that often has deed-restrictions against sales, not to mention the strong public opposition to such sales. Several Missouri municipalities, including Olivette, require public votes before parkland is sold.²⁷ Outsourcing management of certain aspects of park operations, such as recreational facilities and support operations for the general parks (such as mowing contracts), along with asset-sharing agreements among cities where possible, are the preferred scenarios.

Taken together, the research and history points in a clear direction. Parks, recreation centers, and green-space maintenance are well suited to outsourcing, contracting, and nonprofit operating partnerships. When designed thoughtfully and monitored effectively, these arrangements routinely reduce costs, maintain service levels, and allow cities to focus their limited tax dollars where public administration truly matters. Furthermore, municipalities should fund their park systems through a careful combination of general taxes and user fees. (For more discussion of municipal taxes, please see part two of this series.)

Municipalities with parks and recreational centers around our state should strongly consider all these various management options.

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David Stokes is director of municipal policy at the Show-Me Institute.

GLOSSARY OF RELEVANT TERMS

Public Goods: In the economic sense, a public good is something that is non-rivalrous and non-excludable. Non-rivalrous means that my use of something does not impact your use of the same thing. Non-excludable means that it is difficult (or undesirable) to prevent someone from using something in the first place. Fresh air is often cited as the most obvious public good. The consideration of public goods is an important part of local government policy debates in several key areas. At the most basic level, local government services that are generally public goods would usually be funded by general taxes, while local government services that are not generally public goods would usually be funded (at least partly) by user fees. Just because something may not be considered a public good in an economic sense does not mean government shouldn't ensure that service is provided. There are several common municipal services that are not generally considered public goods in an economic sense, including public transit in larger cities. (Source: Wikipedia.)

User Fees: According to the Tax Foundation, "A user fee is a charge imposed by the government for the primary purpose of covering the cost of providing a service, directly raising funds from the people who benefit from the particular public good or service being provided. A user fee is not a tax, though some taxes may be labeled as user fees or closely resemble them." (*Source*: Tax Foundation website, accessed January 5, 2024.)

Outsourcing/Contracting: Outsourcing and contracting are two terms for the same thing, generally. For example, Zhang and Sun use the terms interchangeably in their study of the topic.²⁸ They refer primarily to municipal government's hiring out the provision of public services to private or nonprofit organizations. As I discuss it in this guide, local government usually maintains a managerial role under contracting and outsourcing arrangements more so than with full privatization.

FOR FURTHER READING

For additional information on the topics discussed in this report, see the following:

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NOTES

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