

Report from Parks, Recreation and Culture Services, Business Planning and Strategic Services and Financial Management Services, Process Review Analyst

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Subject: Recreation Subsidization Rates Framework

Recommendation

That the Budget Standing Committee receive this report for information.

Summary

This report provides a snapshot overview of primary recreation subsidization rates in response to the request from Councillor Haywood, through the Budget Standing Committee, along with a summary of comparator practices. The Recreation Master Plan supports the development of a Pricing policy, which is related to the subsidization rates discussion; it is recommended that this Policy be developed prior to a full and in depth analysis of all recreation subsidization rates. Policy development plans are outlined within the report.

Background

On November 28, 2016 Councillor Haywood, through the Budget Standing Committee, requested a report on recreation subsidization rates.

Report

The City's rates and fees, for parks, recreation and culture programs and services, are currently based on a combination of:

- alignment to municipal comparators
- market-based pricing
- consideration of associated costs to deliver the service
- consideration of the participant type, i.e. youth, older adult, not for profit
- public feedback

There is value in understanding what every program and service costs to deliver, the revenue it generates (rates & fees), and the difference. If the cost is greater than the revenue, the program is subsidized; if the cost is less than or equal to the revenue, there is full cost recovery.

Subsidization rate calculations

Table 1 provides a snapshot of recreation subsidization rates for primary services. The following costs are included in the calculations:

Direct Costs include the staff wages and related benefits for direct service delivery.

Other Direct Costs include equipment, supplies, office and related expenses, materials, building and maintenance expenses.

Indirect Costs include an increment allocation for overhead costs of the Corporation, as outlined in the Financial Information Return (FIR), Schedule 40, such as other department resources (i.e. Human Resources, Finance, Legal) and technology supports.

The calculations in Table one are based on 2016 actuals. It should be used only as a guide and be subject to a more in depth review. Further analysis is recommended following the development of a Pricing policy, including a costing formula. If building related costs continue to be included in the costing formula, it is recommended that lifecycle costs be reviewed to reflect an average cost per year and normalize any significant variances that occur year over year.

Table 1
Kiwanis Aquatic Centre

	Unit of Measure	2016 Fee before Tax	2017 Fee before Tax	Direct and Other Direct Costs	Indirect Costs	Total Cost	Subsidy
Day Entry - Children Youth	Per Entry	\$2.50	\$2.75	\$17	\$42	\$59	96%
Day Entry - Older Adult	Per Entry	\$2.21	\$2.88	\$17	\$42	\$59	96%
Day Entry – Adult	Per Entry	\$3.29	\$3.76	\$17	\$42	\$59	94%
Day Entry - Family	Per Entry	\$8.82	\$9.96	\$17	\$42	\$59	85%
Day Entry - Loonie Swim	Per Entry	\$0.88	\$1.00	\$17	\$42	\$59	99%
Private Swim Lesson - Child	Per Lesson Per Child	\$19.25	\$24.00	\$16	\$21	\$37	48%
Semi Private Swim Lesson - Child	Per Lesson Per Child	\$16.50	\$16.85	\$8	\$11	\$18	11%

Assumes all entries are only one hour in duration, except lessons which are half hour.

Does not include facility surcharges.

For swimming lessons the cost of an instructor is added to the direct costs.

For private and semi-private swim lessons costs have been adjusted to reflect the shorter time duration.

Arenas

	Unit of Measure	2016 Fee before Tax	2017 Fee before Tax	Direct and Other Direct Costs	Indirect Costs	Total Cost	Subsidy
Adult Prime Time Ice Rental	Per Hour	\$188.72	\$188.72	\$192	\$394	\$586	68%
Adult Non-Prime Time Ice Rental	Per Hour	\$110.40	\$110.40	\$192	\$394	\$586	81%
Youth Prime Time Ice Rental	Per Hour	\$154.16	\$154.16	\$192	\$394	\$586	74%
Youth Non-Prime Time Ice Rental	Per Hour	\$65.66	\$65.66	\$192	\$394	\$586	89%

Does not include facility surcharges.

Golf

	Unit of Measure	2016 Fee before Tax	2017 Fee before Tax	Direct and Other Direct Costs	Indirect Costs	Total Cost	Subsidy
Green Fees - Adult	Per 18 Hole Round	\$20.35	\$20.80	\$42	\$87	\$130	84%
Green Fees - Older Adult	Per 18 Hole Round	\$18.58	\$19.03	\$42	\$87	\$130	86%
Green Fees - Juniors	Per 18 Hole Round	\$18.58	\$19.03	\$42	\$87	\$130	86%

Does not include fees associated with golf cart rentals or other amenities.

Sport Fields

	Unit of Measure	2016 Fee before Tax	2017 Fee before Tax	Direct and Other Direct Costs	Indirect Costs	Total Cost	Subsidy
Baseball - Class A Field - Adult - Prime Time	Per Hour	\$29.03	\$30.49	\$42	\$283	\$326	91%
Baseball - Class A Field - Minors - Prime Time	Per Hour	\$9.69	\$10.18	\$42	\$283	\$326	97%
Baseball - Class A Field - Adult - Non-Prime Time	Per Hour	\$27.04	\$28.41	\$42	\$283	\$326	92%
Baseball - Class A Field - Minors - Non-Prime Time	Per Hour	\$6.86	\$7.21	\$42	\$283	\$326	98%
Baseball - Class B Field - Adult	Per Hour	\$27.04	\$28.41	\$25	\$283	\$308	91%
Baseball - Class B Field - Minors	Per Hour	\$6.86	\$7.21	\$25	\$283	\$308	98%
Soccer - Class A Field - Adult - Prime Time	Per Hour	\$29.03	\$30.49	\$49	\$283	\$332	91%
Soccer - Class A Field - Minors - Prime Time	Per Hour	\$9.69	\$10.18	\$49	\$283	\$332	97%
Soccer - Class A Field - Adult - Non-Prime Time	Per Hour	\$27.04	\$28.41	\$49	\$283	\$332	92%
Soccer - Class A Field - Minors - Non-Prime Time	Per Hour	\$6.86	\$7.21	\$49	\$283	\$332	98%
Soccer - Class B Field - Adult	Per Hour	\$27.04	\$28.41	\$2	\$283	\$285	91%
Soccer - Class B Field - Minors	Per Hour	\$6.86	\$7.21	\$2	\$283	\$285	98%

Does not include charges for power, dressing rooms or other amenities.

For Class A fields the cost of a Park Operator is added to the direct costs.

*Table 1 notes and assumptions:

- The subsidization rates are calculated using a formula that includes direct, other direct and indirect costs and cost estimates based on 2016 actuals expenses but does not include lifecycle/replacement costs. It should be used only as a guide and should be subject to a more in depth review. Further analysis is recommended following the development of a Pricing policy, including a costing formula.
- Indirect costs include several forms of overhead including the cost of financing.

- Indirect costs were allocated based on the 2016 Financial Information Return and allocated based on actual 2016 expenditures by section/division.
- Actual unit costs may vary depending on the wage classification of the employee completing the task.

Comparator approaches to subsidization

The approach to subsidization levels, including what costs to include when calculating subsidization (i.e. indirect costs: building, capital and administration), varies across municipalities and in some cases is not calculated at all. Available comparator information on pricing and subsidization level methodology is below.

Thunder Bay and Windsor have a policy in place.

Barrie is currently developing a policy.

Guelph, Kingston, Kitchener, Niagara Falls, Oshawa and Waterloo do not have a policy. They use a combination of an overall Council increase, increases to historical rates, what the market will bear, comparator analysis and user group consultation. Calculation and application of indirect and direct costs and consultation with user groups varies.

Further to the comparator approaches above, Oakville and London have developed a related policy. Common to all municipalities during policy development is significant stakeholder input to align to each municipality's specific strategic focus and community values.

Pricing policy development relation to subsidization

The development of a Pricing Policy is a recommendation within the Recreation Master Plan. On August 16, 2016, the Recreation Master Plan Advisory Committee prioritized this recommendation as the highest priority short term action item to be addressed:

“Develop a Pricing policy to establish program and service pricing based on true costs, the benefit of the various programs and services to the community, and considering what the market will bear.”

The intended outcome of a Pricing policy is a strategic, consistent and systematic method to pricing parks, recreation and culture programs and services. Creating a policy would include development of:

- a costing formula (what costs are included – this varies across municipalities);
- a subsidy formula (how much is absorbed by the tax base, based on benefit to the community and what the market will bear); and
- an affordable access to recreation strategy (subsidies to provide financial support to those that require it).

The planned approach includes leveraging Brock University's Faculty of Recreation and Leisure resources to achieve an efficient use of staff resources; and undertaking significant stakeholder consultation to ensure policy alignment to the City of St. Catharines' Strategic Plan and Community values.

This policy development is on Staff's 2017/2018 work plan. Interim reporting will be provided to BSC at critical milestones and decision points.

Financial Implications

There is no impact as a result of this report.

The development of a Pricing policy will support the strategic allocation of financial resources towards the subsidization of recreation programs and affordable access funding, such as Fee Assistance in Recreation (FAIR). Any financial impact resulting from a pricing policy would be presented with a policy draft.

Relationship to Strategic Plan

The proposed approach to developing a pricing policy that includes subsidization levels for programs and services is aligned to action 4.1:

“Prioritize and implement recommendations from the Parks and Recreation Master Plan with a focus on balancing recreation services for all ages, demographics and abilities.”

Conclusion

Municipalities vary in the costs that are included in subsidization calculations, such as the inclusion of facility and administrative overhead costs. As completed in a number of municipalities, such as Windsor, Oakville and London, the development of a pricing policy requires significant stakeholder involvement to produce a policy (including cost calculation formula and subsidization level formula) that is aligned to the community's values. Staff have engaged Brock University to support the development of a Pricing policy, including stakeholder consultation, to efficiently utilize staff resources. The policy development approach will produce a policy that aligns to Council's strategic direction and the community's values. Interim reporting will be provided to BSC at critical milestones and decision points.

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