

Report from Parks, Recreation and Culture Services, Business Planning and Strategic Services

Date of Report: April 4, 2018

Date of Meeting: April 16, 2018

Report Number: PRCS-B015-2018

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Subject: Recreation Subsidization Rates Framework – Pricing Policy Development

Recommendation

That the Budget Standing Committee receive this report for information.

Summary

This report provides an update on the pricing policy development, including the Brock University partnership; the key components of the policy (Costing Formula, Subsidy Formula and Affordable Access to Recreation); and next steps and timelines for the policy development.

Background

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

On [August 24, 2017 Parks, Recreation and Culture Services \(PRCS\)](#) provided an outline of Policy development plans and the BSC approved the following [motion](#):

“That the Budget Standing Committee receive this report for information; and
That the draft policy be received by the Budget Standing Committee by the
Second Quarter in 2018.”

The implementation of a pricing policy, once developed and approved, will have a direct impact to community members. For this reason, the approach developing this policy is to build it with the community. Although a draft policy is not yet developed, this report provides an interim update on the progress made to date.

Report

Brock University Partnership has been productive

The City of St. Catharines developed a Project Charter with Brock University in September 2017.

There have been five main objectives identified in the Project Charter with Brock University as outlined below. Items 1 through 3 are complete, Item 4 is in progress; once complete staff will use the findings and outcomes to begin drafting the policy.

1. Municipal Recreation Pricing Research

Brock University will enhance and expand on the research that the City of St. Catharines has already composed for comparable municipalities' pricing practices. The purpose of the background research is to gain a better understanding of the current state of knowledge on municipal recreation pricing. The City will complete municipal outreach to gain a better understanding of current pricing strategies.

Status

This is complete.

2. Stakeholder Research

Brock will develop a proposal for the most productive stakeholder research for this purpose, based on a review of current literature methods of effective public consultation and City of St. Catharines' current practices.

Status

This is complete.

3. Focus Groups

Based on findings from stakeholder research, Brock will develop focus group approach and content and the City will lead them to increase insight into the communities' perspective on recreation pricing.

Status

Three Focus Group sessions were held between March 20, 2018 and March 21, 2018 with a total of 66 registrants and 26 participants. All participants committed to approximately 2 hours of Pricing Policy Focus Group Workbook completion and 2.5 hours of focus group participation.

Two main goals of the Focus Group research:

- Use the information shared by residents to help the City develop one consistent approach to pricing programs and services, which can be applied to all of the program areas.
- Develop an approach to pricing parks, recreation and culture services that is reflective of what the St. Catharines community values. When we talk about values, what we are really talking about is what matters to people.

4. Reporting

Brock will analyze and report on the findings of the pricing policy research and outcomes of the focus groups.

Status

Brock University is currently analyzing the findings of the pricing policy research and outcomes of the focus groups with a report to follow by the end of April 2018.

5. Drafting of Pricing Policy

Using the research findings and outcomes, the City will draft a policy that includes:

- 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).

Status

Once objective #4 Reporting is received from Brock University at the end of April 2018, City staff will begin the drafting of the pricing policy.

Update on Pricing Policy Key Components

Alignment to the Recreation Master Plan

The Recreation Master Plan, includes the following content, related to this policy development, found under section 6.3 Costing and Pricing Programs and Services (pages 131 – 135).

Recommended Pricing Policy Guiding Principles:

- a) Pricing will be based on the true costs to provide the service (direct costs and indirect costs)
- b) An equitable and reasonable portion of the costs of programs and services will be recovered through user fees and rental rates based on the program's benefit to the community
- c) Staff will seek out ways to reduce the cost of providing the service and to obtain sponsorships and partnerships to augment revenue streams.
- d) The pricing of programs and services will attempt to recover all direct costs at a minimum (staffing, supplies, etc.). Further recovery of indirect costs will be pursued over time as is reasonable.
- e) Programs and services available to all residents all the time will and require little supervision shall be offered at no fee such as the use of trails and parks, playgrounds, splash pads, public tennis courts, sports courts etc. because of the public good that they bring to the community in terms of pride and cohesion.
- f) Categorization of service types will be based on their value to the general population.

Recommendation

#80. 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.

Costing Formula

The proposed cost formula (Appendix 1) was developed and approved by the City of St. Catharines Financial Management Services (FMS). Further this formula was endorsed by the Recreation Master Plan Advisory Committee through the following motion:

“That the Recreation Master Plan Advisory Committee approve the following for the purposes of the Pricing Policy:

That the costing formula includes Direct Costs (such as salaries/wages and benefits), Other Direct Costs (such as equipment operations, materials and supplies) and In-Direct Costs (such as building maintenance, utilities, contracts and service charges); and

That Capital Costs as defined by the City of St. Catharines be excluded; and
That where applicable, the costing formula is to be customized to determine the best estimate of true cost.”

Once a costing formula has been approved by Council with the pricing policy, PRCS and FMS staff will work collaboratively to begin implementation of the approved costing formula. Significant staff resources will be required for the initial phase of this process as many cost centres will require customization and data collection.

Subsidy Formula

The subsidy formula will review how much is absorbed by the tax base, based on benefit to the community and what the market will bear.

Brock University is currently analyzing the findings of the pricing policy research and outcomes of the focus groups with a report to follow by the end of April 2018. The subsidy formula will be developed by City staff through the Brock University research findings. Programs will be reviewed based on program type which will create a consistent approach applicable to both current and future programs. The subsidization formula will take into account community benefit of programs and services, based on feedback from the focus groups, as well as consideration of impact on participation/utilization. .

Once a draft subsidy formula is developed, it will be reviewed by the Recreation Master Plan Committee and further public consultation opportunities will be considered prior to inclusion in a draft pricing policy.

Affordable Access to Recreation

Affordable access to recreation is designed to provide financial support to those in the community that require it. The costing formula and subsidy formula will not directly impact affordable access to recreation as this will be reviewed as a separate entity.

A review of local and municipal comparators, industry leaders as well as an internal review is currently in progress. Recommendations related to future City practices will be provided with a policy draft.

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 as part of an overall implementation plan.

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

Through the innovative partnership with Brock University, the City has been able to efficiently utilize staff resources and effectively engage the community for the purpose of developing a Pricing policy and fulfilling recommendation #80 within the Recreation Master Plan. With the final research stages completed in April, 2018, staff will proceed with the development of the policy draft and engage the community in additional consultation of that content to support a policy driven by community values.

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City of St. Catharines Costing Formula

<u>Direct Costs</u>			
Personnel:			
Salaries and Wages	A	<input type="text"/>	
Benefits	B	<input type="text"/>	
<u>Other Direct Costs</u>			
Equipment Operations	C	<input type="text"/>	
Supplies	D	<input type="text"/>	
Total Direct Costs	E = (A+B+C+D)		<input type="text"/>
<u>Indirect Costs</u>			
Overhead	F = (E x 15%)	<input type="text"/>	
Facilities:			
Operating Costs	G	<input type="text"/>	
Total Indirect Costs	H = (F + G)		<input type="text"/>
Total Costs	I = (E + H)		<input type="text"/>
Number of Units	J		<input type="text"/>
Unit Cost	K = (I / J)		<input type="text"/>
Description of Unit of Measure:			
<input type="text"/>			
Current Fee			<input type="text"/>
Proposed Fee			<input type="text"/>
Explanation of Proposed Fee:			
<input type="text"/>			