

COUNCIL REPORT

| | |
|--------------|---|
| M&C No. | M&C 2019-151 |
| Report Date | June 12, 2019 |
| Meeting Date | June 17, 2019 |
| Service Area | Transportation and Environment Services |

His Worship Mayor Don Darling and Members of Common Council

SUBJECT: Ice Strategy Plan B Implementation

OPEN OR CLOSED SESSION

This matter is to be discussed in open session of Common Council.

AUTHORIZATION

| | | |
|----------------------------|----------------------------------|---------------------------|
| Primary Author | Commissioner/Dept. Head | City Manager |
| <i>Tim O'Reilly</i> | <i>Michael Hugenholtz</i> | <i>John Collin</i> |

RECOMMENDATIONS

Your City Manager recommends Common Council:

- 1) Support any potential future motions brought before the Regional Service Commission that seek consensus on a new Regional Arena Funding Formula that would respect the intent behind the following principles:
 - a) The applicable cumulative operating cost deficit of all regional arenas shall be redistributed among taxpayers of the respective municipalities and LSDs based on proportion of usage in the respective jurisdictions,
 - b) Operating cost deficits determined not to be applicable shall not be included in the funding formula and shall remain the responsibility of the host municipality, and
 - c) Following commitment to the above-mentioned principles, the established Working Group identifies, using external consulting services if necessary, the applicable operating cost deficits and usage data that would be subsequently recommended to the Commission to be included in the Funding Formula.
- 2) Endorse the "Recreation Card & Non-Resident User Fee" Plan B option and approve a Non-Resident User Fee of \$200.00 + HST for the year 2019-2020 and \$350.00 + HST for the 2020-2021 as presented in M&C 2019 – 151.

EXECUTIVE SUMMARY

Over the past 1 ½ years of involvement in participating in a Regional Ice Strategy, the City of Saint John has remained consistently focused on pursuing meaningful steps toward achieving regional fairness and sustainability in the management of regional arenas. This report supports maintaining focus on these two goals from a regional and City of Saint John perspective.

As part of the City's overall Sustainability Plan, City staff propose to use the approach identified in this report for other possible recreation facilities and programs, with implementation planned for 2020 or beyond. Staff would return to Common Council at a future date for direction on any of these possibilities. This Report is solely focussed on arenas.

PREVIOUS RESOLUTION

On March 25, 2019 Common Council:

- Reconfirmed its belief that a cooperative regional approach to managing arenas is preferred over a solution that requires a form of non-resident user fees to advance the priorities of regional fairness and sustainability,
- Endorsed principles of a regional arena cost sharing formula that would:
 - redistribute the cumulative applicable operating cost deficits of all regional arenas between taxpayers of the municipalities and LSDs based on usage from the respective jurisdictions, and
 - determine operating cost deficits that are not applicable that would remain the responsibility of the host municipality,
- Supported His Worship proposing these principles to the Regional Service Commission to seek consensus,
- Committed further City staff time and taxpayer investment in external consulting services to establish applicable financial and usage data between jurisdictions in the region that would populate a cost sharing formula based on agreed-upon principles,
- Committed to exploring further regional collaboration relative to arena management following a ratified arena funding agreement, and
- Committed to proceeding with Saint John's alternate Plan B "non-resident user fee" approach in the absence of agreement from the Regional Service Commission by May 1, 2019.

REPORT

Continuing to Pursue Regional Collaboration

Neither Saint John's proposed solutions to a regional arena cost sharing formula nor any other solution such as the one proposed in a February 22, 2019 report of the Regional Service Commission, were supported at the March and April Commission meetings. Ice Associations that use City arenas recently met with City staff and expressed concern over the impact to ice sport participation generally with an implemented Plan B. City staff is recommending Common Council continue to remain receptive to a regional collaborative solution proposed at any future Regional Service Commission meeting. Should a future Regional Service Commission meeting generate consensus on principles such as those outlined in Recommendation #1, City staff would update Council, including the possibility of recommending postponing implementation of a Plan B. As presented further in this report, the City would start incurring costs to

implement Plan B as early as July 2019; therefore, timely meaningful progress toward a collaborative solution is important.

Plan B

As a result of May 1, 2019 passing without regional consensus, City staff began pursuing investigation of Plan B options to implement a form of non-resident user fee, as directed by Council. This milestone of May 1 was important, so that staff focus could shift to planning and consulting on this alternative approach ahead of implementation for the 2019-2020 season. Two Plan B options have been identified and described by City staff; Council is requested to support implementation of Option 2 at this time. The intent of both Plan B options is to allow City taxpayers to continue to subsidize arena use by City residents but stop subsidization of non-resident use; the outcome being similar to Plan A but only for aspects within the City's control without regional consensus.

Plan B Option 1: Full Cost Recovery Rates & Resident Rebate Program

Option 1 involves two components, the first being the City charging arena rental rates that would generate revenues sufficient to fully recover costs. The second component is a rebate paid to City resident users of arenas from City taxpayer subsidies. Hourly rates would increase significantly. Association registration fees would need to increase to cover the greater rental rates. The rebate would compensate City resident users for the higher registration fees. This solution is similar to one used in the Town of Sussex. This option has been previously presented to Council in Fall 2018.

Plan B Option 2: Recreation Card & Non-Resident User Fee

Option 2 also includes two components, the first being that Recreation Cards would be distributed to both City resident users and non-resident users of City arenas. The second component would be that non-residents would pay a Non-Resident User Fee to acquire a card, reducing or eliminating City taxpayer subsidization of non-residents. Residents would be required to demonstrate City residency to acquire a card for free. This solution is similar to one used in the City of Fredericton.

Recommending Plan B Option 2 over Option 1

City staff are recommending to Common Council that "Option 2: Recreation Card & Non-Resident User Fee" be implemented in the absence of regional consensus. This recommendation is the result of the following analysis of the pros and cons of the two options, including as a result of advice from Ice Associations.

| Option 1 Pros | Option 1 Cons |
|--|---|
| <ul style="list-style-type: none"> • Direct City taxpayer subsidization of City resident users only • Full cost recovery rates help communicate cost of service delivery • Non-residents do not need to declare themselves as such | <ul style="list-style-type: none"> • Number of financial transactions approximately doubled compared to Option 2 • Risk of City funds being distributed inappropriately • Some City resident families may not be able to afford to wait for a rebate after payment of higher registration fees • Preferred generally less by Ice Associations than Option 2 • Requires significant recalculation of registration fees by Ice Associations • Requires significant increase in hourly rates at both civic arenas and the LBR • Requires participation of Ice Associations in process |
| Option 2 Pros | Option 2 Cons |
| <ul style="list-style-type: none"> • Preferred generally more by Ice Associations than Option 1 • Number of financial transactions approximately half of Option 1 • Helps communicate City taxpayer subsidization per non-resident without solution in place • Does not require a significant change in arena rental rates | <ul style="list-style-type: none"> • Requires participation of Ice Associations in process • Processing with both residents and non-residents is required to issue cards, adding to program administration costs • Requires address verification for residents • Requires verification to ensure all residents and non-residents have acquired a card • Requires participation by non-residents • Ice Association accountability may be necessary |

Recreation Card Implementation Plan

City staff have completed further preliminary work to prepare to implement Plan B Option 2 (Recreation Cards) pending Council approval. As part of the roll-out plan, all residents and non-residents would complete a City registration form. Residents would declare their primary place of residence on the form and provide proof of residence (such as a driver's license) and then be issued a card with a unique number. Non-residents would ideally be given a choice of multiple fee payment options (online and by phone) and then be issued a card. For

additional convenience, presence at select ice association registration forums are planned for in-person transactions. The resident's name, address and Recreation Card number would be logged in a database. Registration data provided by the Ice Associations would then be cross-referenced against the City's database to ensure both residents and non-residents acquired a card. Further verification of acquired cards may be completed with spot checks at City arenas and the LBR.

Issuing of the Recreation Cards in various ways that would be convenient to residents and non-residents would require a concentrated administrative effort. Proposals are being requested from external services to help support this effort. These same services would also be used to help inform final plan policies, and create the database and payment system. Award of the work to these external services would not take place until Council has considered approving Option 2 at this meeting and following the June Regional Service Commission meeting. Depending on the cost of the successful proposal, Council may also be asked to approve award of the work.

Required Participation of Ice Associations

Ice Associations would be required to participate in the implementation plan for Option 1 or Option 2. For Option 2, the following would be required by Ice Associations:

- Allow participants the option to give informed consent to share registration information with the City,
- Continue to provide registration information to the City by end of November, specifically participant's name, place of residence and Recreation Card number, and
- Be accountable for participants found not to have acquired a Recreation Card.

In future years, as another measure to support compliance, the intent is to have Ice Associations require participants to present Recreation Cards or request their Recreation Card number as a condition of registration with their association. The timing of roll-out in 2019 in relation to when registrations commence for various associations is not going to allow this additional step to take place for this upcoming season.

Non-Resident User Fee to Acquire Recreation Card

The concept behind implementing a Non-Resident User Fee system is that the revenues generated would recover the lifecycle cost deficit attributable to non-residents instead of City taxpayers continuing to subsidize non-resident use. In the 2018-2019 season, 1013 non-residents were registered with various user groups, amounting to 37% of the total number of users that season. City staff estimated the expected operating deficit for the 2019-2020 season, calculated

37% of that deficit, then divided it by 1013 to establish one consistent Non-Resident User Fee that would recover 100% of the non-resident portion of the operating deficit. This approach assumes a similar level of use by all users including comparing resident with non-resident use.

Staff remind Council that capital investments in City arenas are above-and-beyond the operating deficit. Staff are recommending, at least for the 2019-2020 season, no capital costs be recovered from non-residents. Justification for this recommendation is as follows:

- This position would acknowledge feedback received from Ice Associations that a gradual implementation of a Non-Resident User Fee be implemented, and
- The City's future investment plans will become clear in the next couple of years, and until this clarity, City staff are hesitant to identify capital cost recovery targets for various stakeholders.

City staff are communicating in the following table options for setting the Non-Resident User Fee for the 2019-2020 season and looking ahead to the 2020-2021 season.

Staff are recommending a \$200.00 + HST Non-Resident User Fee for the 2019-2020 season and a \$350.00 + HST Non-Resident User Fee for the 2020-2021 season. Neither fee would generate full recovery of operating deficits attributable to non-residents nor generate any recovery of other lifecycle costs such as capital re-investments or future replacement of arenas. Lower fees are proposed in response to the Ice Associations' request to implement changes to fees gradually and to mitigate potential risks detailed further in this report.

For context, staff are also communicating in the following table the Non-Resident User Fee charged by the City of Fredericton for the upcoming season. Fredericton's fee also does not recover sufficient funds to offset operating and capital costs attributable to non-residents.

The cost to implement the Recreation Card Program is currently unknown, but would be clear upon receipt of the external services' proposals later in June 2019. Staff are currently estimating the cost to implement the program to be \$70,000.

| Scenario | Annual Non-Resident User Fee | Anticipated Gross Revenue** | Estimated Rec Card Implement. Cost | Anticipated Net Revenue |
|---|------------------------------|-----------------------------|------------------------------------|-------------------------|
| 39% recovery*** | \$150 | \$113,963 | \$70,000 | \$43,963 |
| 52% cost recovery*** | \$200 | \$151,950 | \$70,000 | \$81,950 |
| 65% cost recovery*** | \$250 | \$189,937 | \$70,000 | \$119,937 |
| 78% cost recovery*** | \$300 | \$227,925 | \$70,000 | \$157,925 |
| 92% cost recovery*** | \$350 | \$265,913 | \$70,000 | \$195,913 |
| 100% cost recovery*** | \$382 | \$290,224 | \$70,000 | \$220,224 |
| Match City of Fredericton Fee (200% cost recovery***) | \$773 | \$587,287 | \$70,000 | \$517,287 |

*All amounts in table are exclusive of HST

**Assumes 25% reduction in non-resident users from 2018-2019 season

*** Recovery % is relative to non-resident portion of operating deficit only based on number of users. No other facility lifecycle costs are considered.

Staff intend to recommend a cap on hours booked, below which participants associated with such “one-off” bookings would not be required to obtain a Recreation Card. Some organizations that have fluctuating participants throughout the season would also not be required to obtain a card.

Feedback from Ice Associations and Risks to New User Fee Model

Staff do not want to understate the concerns expressed by Ice Associations and the potential risks with implementing a non-resident user fee. Almost all of the established associations, including those that are youth-based, comprise of resident and non-resident users. Over half of these associations have more than 25% non-resident users. A significant reduction in non-resident usage that could occur as a result of implementing non-resident user fees would have a significant impact on both the associations and the City’s arena sustainability model. Reduced registrations in associations may cause some associations to fold. A reduction in demand for City arenas would negatively impact revenues from rentals and cause a need to review the City’s arena supply model. Other municipalities in the region may implement a non-resident fee, which would increase the financial burden on City resident use of regional arenas and may cause similar impacts to regional associations and regional arena demand. Staff’s encouragement to Council to continue to support a regional solution and

staff's suggestion to implement a lower-than-full-cost-recovery non-resident fee in the 2019-2020 season are steps that can mitigate these concerns and risks.

Updating Arena Rental Rates

Up until this point in this report, the focus has been primarily on recommendations to implement Plan B with the absence of regional collaboration. City staff has also worked on proposed changes to how arena rates would be charged and on the associated hourly rates for ice time. A finalized analysis and staff recommendations are planned to be presented at the next Council meeting scheduled for July 8, 2019. The proposed changes would be recommended with implementation of the Recreation Card program or with a regional solution.

Continuous Improvement (CI)

City staff continues to pursue efforts to sustain City arenas into the future in other ways, including:

- Investing in several energy saving and safety technologies,
- Continuing to pursue staffing-to-demand initiatives. Cumulative efforts over the last 2018-2019 season and next 2019-2020 season is expected to result in an approximate 25% reduction in staffing levels required to service arenas,
- Planning to pursue an evidence-based and business-case approach to sustaining arena facilities within the City, with the City's four (4) arenas reaching end of useful life, and
- Collaborating with Ice Associations on additional opportunities suggested by these valuable and knowledgeable stakeholders.

Besides making financial sense for City taxpayers, CI initiatives that reduce cost to deliver service should also provide some benefit to users of City arenas through mitigating fee increases.

STRATEGIC ALIGNMENT

This report aligns with Common Council's priorities of investing in recreation, Financial Sustainability and Continuous Improvement.

This report aligns with the City's Sustainability Plans and approved Operating Budget Policy.

This report aligns with previous Council direction relative to the Regional Ice Strategy.

INPUT FROM OTHER SERVICE AREAS AND STAKEHOLDERS

A Task Force of City staff from Parks & Recreation, Finance, and Continuous Improvement have been working diligently on the initiatives described in this report. Other City Departments such as Information Technology, Materials Management, the Office of the Common Clerk, and Communications have been engaged.

Engagement with Ice Associations that use City arenas has continued, including group meetings in November 2018, May 2019, and June 2019, in addition to other communications. The input provided by these Ice Associations has been imbedded throughout this report. City staff intend to continue to engage these valuable stakeholders.

City staff must still engage with the Board of the Lord Beaverbrook Rink. Because City taxpayers also pay for the lifecycle deficits of this arena, it will be important that users of that facility also participate in the Recreation Card & Non-Resident User Fee program, if this option is supported by Council.

ATTACHMENT

Staff Presentation to Common Council