

COUNCIL REPORT

M&C No.	M&C 2019-166
Report Date	July 03, 2019
Meeting Date	July 08, 2019
Service Area	Transportation and Environment Services

His Worship Mayor Don Darling and Members of Common Council

SUBJECT: 2019-2020 Arena Rental Fees and Ice Allocation Policy

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) Endorse the changes proposed in M&C 2019 - 166 to how the City charges fees for rental of ice at the four City-operated arenas,
- 2) Endorse a continued investment of additional City taxpayer contribution to reduce the cost of youth access to ice at the City's four City-operated arenas,
- 3) Approve the arena hourly rental rates at the four City-operated arenas for one year starting October 11, 2019 as proposed in M&C 2019- 166, and
- 4) Approve the updated City of Saint John Ice Allocation Policy as attached to M&C 2019 - 166.

PREVIOUS RESOLUTIONS

Common Council approves the hourly rental rates charged at the City's four City-operated arenas.

On June 17, 2019 Common Council approved a Non-Resident User of \$200.00 + HST for the 2019-2020 season and \$350.00 + HST for the 2020-2021 season.

REPORT

City of Saint John Operating Budget Policy

The City adopted an Operating Budget Policy in 2018, which includes direction on how user fees should be set. The policy describes that fees should be set relative to the cost to deliver the service. The policy also describes that fees that recover only a portion of full cost recovery may be justified where public benefit

is demonstrated above the benefits received by individual(s) who made use of the facility or service.

Public Benefit of Arenas

Arenas, as in the case of various recreation services and facilities, provide many benefits to the broader community. Reductions in social and health care burdens, fostering youth leaders, stimulating the economy through positively influencing where citizens choose to live, and supporting sports tourism are a few examples why Saint John and many other communities choose to invest taxpayer funds to build, operate, maintain, and replace arenas and other recreation facilities. Arena fees approved by Council have traditionally been below full cost recovery and annual operating and capital budgets have included City taxpayer investment in recreation facilities based on provision of these public benefits.

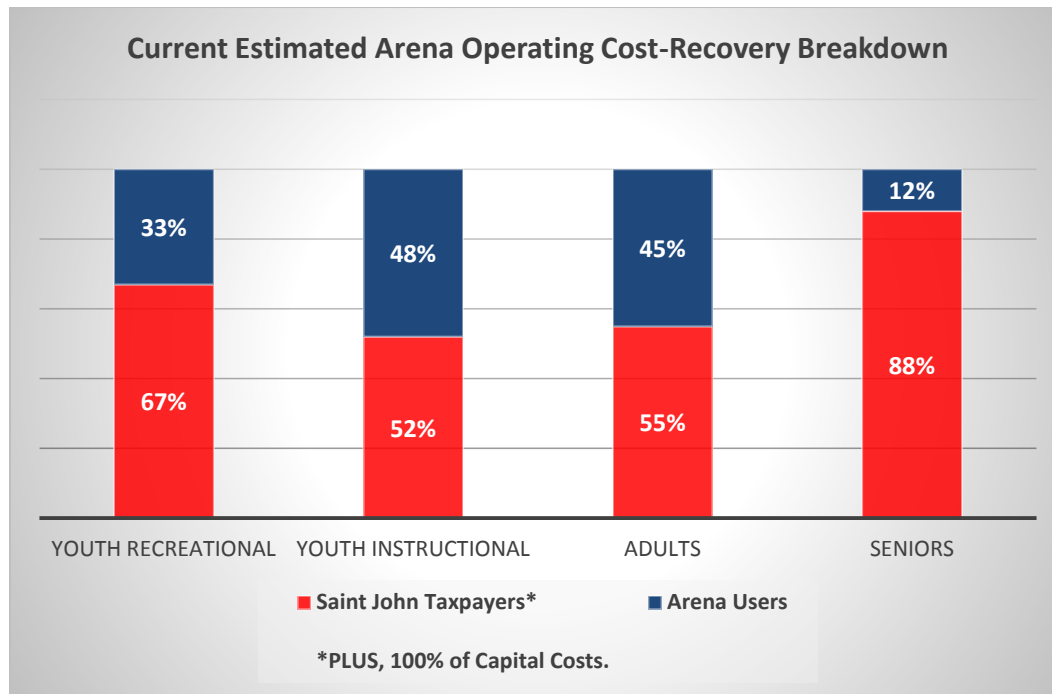
User Types

Staff are defining various types of users of City arenas in the following table. The purpose is to assist in clarifying if different cost recovery targets and arena rental rates are justified based on differences in level of public benefit received between these types.

User Type	Description
Youth Recreational	Associations that offer service for a majority of participants that are 18 years old or younger, do not regulate membership, are non-profit, are guided by constitutions and by-laws, have auditable financial statements, are affiliated with a Sport Governing Body, have an elected board of directors, and provide consistent programming of at least 20 weeks annually. Youth tournaments and schools that are part of the Anglophone or Francophone School Districts are also included in this category.
Youth General	Associations that offer service for a majority of participants that are 18 years old or younger that do not fit into the “Youth Recreational” category. Organizations in this category include those that provide enhanced skill development training, with sometimes rotating short-term participants, where seeking Recreation Cards from such participants would not be practical.
Adults	Offer service for those who have a majority of participants between 19 and 64 years of age.
Seniors	Offer service for those who have a majority of participants 65 years of age or older.

Historic Cost Recovery

To provide some context for Council, the figure below shows the approximate current cost recovery percentages for these different User Types:



The Youth Recreational user type have a lower recovery percentage, because associations in this category have benefited from the Youth Ice Sports Subsidy.

The Seniors user type have a lower recovery percentage, because associations in this category have benefited from a lower hourly day time rate and because one of the two senior organizations has historically donated funds in lieu of paying revenues to the City to offset arena costs.

Data in this figure and the other two similar ones in this report made use of an assumed normalized operating budget, such as the removal of costs allocated to uses other than ice such as lacrosse.

Cost Recovery from Non-Residents

As shown in the preceding figure, City taxpayer subsidization provides most of the remaining funding as the fees have traditionally not fully covered costs.

As reported previously, non-residents account for approximately 1/3 of the use of City arenas. The City's continued efforts toward a regional approach to arena management is aiming to avoid having City taxpayers shoulder the cost of this

non-resident use while remaining receptive to investing in other arenas in the region where City residents enjoy use of those facilities.

At their June 17, 2019 meeting, Common Council approved implementation of a Recreation Card & Non-Resident User Fee Program, while remaining open to a regionally collaborative solution. Either outcome aims to align City taxpayer investment with City use of arenas and allows arena rates to continue to be set below full cost recovery.

Updating Arena Rental Rates

City staff are recommending in this report updated arena rental rates and new user type categories. Several factors contributed to staff's final recommendations, including:

- Contributing to the City's Financial Sustainability,
- Accounting for the City's general 3% annual escalation in costs,
- Being guided by the approved City Operating Budget Policy,
- Feedback received by Ice Associations,
- Transparency and Equality,
- Efforts to Simplify the City's Rate Structure,
- Supply and Demand,
- Competition, and
- Avoiding, at this time, user fee contributions to capital costs related to arena upgrades or replacement.

The next several sections of this report detail some of these factors.

Contributing to the City's Financial Sustainability

The City is facing financial challenges. City staff's recommended arena rates for 2019-2020 were partly guided by the goal of reducing the operating cost deficit that is shouldered by City taxpayers.

Reflecting the City's Annual Cost Escalation

The City's costs to provide services generally increase approximately 3% annually. As a minimum, all rental rates should increase by at least 3% accordingly.

Feedback from Ice Associations

City staff has engaged the various Ice Associations that use City arenas. While appreciating the need for the City to review its arena rates, these stakeholders have asked staff to consider phasing-in any new or increased fees.

Proposed Replacement of Youth Ice Sports Subsidy with New Youth Recreational Rate

Since approximately 2003, the City has had in place a Youth Ice Sports Subsidy that defined a set amount of funding that would be distributed among the associations based on number of Saint John residents in each association, up to a cap of 50% of their invoice. Each association's share of the subsidy is deducted from their invoice. For 2019, this subsidy was approximately \$168,000.00 (\$173,000.00 less approximately \$5,000.00 to traditionally offset high school hockey at the LBR). Youth associations that received a share of the subsidy in the 2018-2019 paid an "effective" hourly rate, on average, of \$111.11/ hour + HST. One of the reasons for the subsidy was to better control the amount of additional youth subsidization over a previous system that provided lower youth hourly rates. At the time, the City did not control the amount of ice booked by these youth associations and, therefore, could not control the potential for lost revenue by otherwise booking ice to adults at a higher rental rate. Several issues and opportunities have presented themselves in the subsequent 15+ years:

- With a plan to reduce City taxpayer subsidization of non-resident use of City arenas (either through a cooperative solution or otherwise), the need to provide an additional subsidy based on residency is redundant,
- The City does not have any control over ensuring the Subsidy is directed to City residents as intended,
- The "effective" hourly rate that each association pays can be very different based on the residency rate and 50% cap provision,
- Ice Associations do not know their final cost for the season until they become aware of their share of the Subsidy part way through the season,
- The true youth investment level provided by the City can be lost by not communicating this through the hourly rate structure, and
- The City now has an Ice Allocation Policy (since 2013) that can manage the amount of ice provided to youth and other user types, thereby controlling revenue opportunities.

City staff are proposing a new Youth Recreational Prime Time hourly rate be approved that replaces the Youth Ice Sports Subsidy. This same rate would also be used in the place of previous "Schoolboy", "Birthday Party" and "Youth Tournament" rates to create equity and simplify the City's rate structure. The recommended new rate accounts for both the additional level of subsidization provided via the Subsidy and future cost recovery percentage targets relative to this user category.

City staff propose to eliminate the approximately \$5000.00 provided to offset high school hockey at the Lord Beaverbrook Rink. The Board of the LBR can choose to offer Youth rates if it wishes.

Common Council would need to resolve to maintain an enhanced level of taxpayer subsidization of youth ice sports, whether that be through maintaining the current Youth Ice Sports Subsidy or through rolling that investment into a reduced revenue budget resulting from a new lower “Youth Recreational” rate.

Elimination of Senior Rate

City staff suggest no rates should be lower than rates available to our youth. City staff recommend elimination of a Senior’s rate that was lower than rates available to youth. Users from this category can still take advantage of the lower Pre Prime rate (that overlaps when the current Seniors rate is applicable) that is available to any group.

Rate Arrangements to be Approved by Council

Over many years, if not decades, different arrangements have been put in place with specific groups renting ice from the City that has decreased rental revenues and increased taxpayer subsidization by at least \$25,000.00 annually. City staff are not aware in most of these cases where Common Council has specifically approved these arrangements. For that reason, staff intend to end these arrangements and they would be reinstated only with confirmation of Council approval; staff would detail the business case in such cases. As it stands, staff is aware of one agreement that remains in place and one exception is being recommended to be maintained at least through the 2019-2020 season:

- The City’s current mass May-August 2019 summer ice rental agreement, and
- The current arrangement with Anglophone School District-South for their free daytime class skates. Review of this arrangement will be completed with a larger assessment of the collaboration between the City and District on recreational facilities and functions. The “School Boy” rate, as previously mentioned, would be incorporated into the new Youth Recreational Prime Rate available to both schools and other Youth Recreational user types.

Matching Rates to Demand

Ice access at some times during the week or year are in greater demand than other times. The City’s current arena rate structure responds to fluctuations in demand to some degree by having a higher prime rate in high demand times and various lower non-prime rates for low demand times. In the 2018-2019 season, Council supported a reduction in one non-prime rate (weekdays, 8 AM – 4 PM) from \$100.88/ hour + HST to \$86.96/ hour + HST to spur demand in this historically low-demand period. Staff recommend this lower rate be maintained for this period of time, adjusted for 3% cost escalation.

Demand during periods such as March Break, Christmas Break, and statutory holidays can be greater, yet the City has not charged prime time rates for these periods. Labour costs are greater on statutory holidays. Staff are recommending prime time rates be charged for these periods of time.

HST in Advertised Hourly Rates

It is unclear why, but both the City of Saint John and other arenas in the region publicize arena rental rates inclusive of HST. These taxes are not revenues that the City uses to offset cost of service delivery, so including HST in advertised rates does not accurately reflect cost-recovery. Changes in HST policy can also impact the City's revenue projections when rates approved that are inclusive of HST are not adjusted; such was the case in 2016 when the HST was raised from 13% to 15%. Staff are recommending Council approve future rates that are exclusive of HST.

Regional and Atlantic Canada Rate Comparison

Presented in the table immediately below are prime rates and some youth rates charged in different communities compared to the rates Saint John charged at its four City-operated arenas in the 2018-2019 season to allow staff and Council to understand how changes to Saint John's rates compare. Staff are also showing in a second table how Saint John's Prime Rate compares to rates in other parts of Atlantic Canada.

Arena	Saint John	LBR	Rothesay Arena	Quispamsis Memorial	QPLEX	River Valley Community Centre	Rothesay Netherwood School
Prime Rate	\$179.96	\$191.30	\$152.17	\$165.22	\$187.82	\$170.43	\$165.22
Youth Rate	\$111.11 *	**	\$108.70	\$113.04	N/A	\$117.39	N/A

* "Effective" average hourly rate paid by youth associations after disbursement of Youth Ice Sports Subsidy

** City of Saint John Youth Ice Sports Subsidy provides 50% of cost to rent the LBR by high school hockey teams on Wednesday evening games.

*** All rates shown are from 2018-2019, except QPLEX that is current, and are exclusive of HST

Location	Saint John	Moncton	Fredericton	Charlotte-town	Halifax	Bathurst
Prime Rate	\$179.96	\$252.17***** \$276.52*****	\$188.00	\$191.30***** \$136.53*****	\$200.00* \$240.00**	\$180.00*** \$190.00****

All rates shown are from 2018-2019 and are exclusive of HST unless otherwise noted

*LeBrun Centre

**BMO Centre and RBC Centre

***KC Irving Centre- Prime time

**** KC Irving Centre Gentlemen's Hockey

*****Avenir Centre, 2019-2020 rates

*****2019-2020 Superior Propane Centre, Kay Arena

***** East Link Centre Charlottetown

***** North Star Arena

Investment in Arena Improvements or Replacements

As previously discussed with Council, the City's four City-operated arenas are reaching the end of their useful life, with decisions required in the near future on the City's long term arena supply plan. It is currently estimated the four City-operated arenas and the LBR have a combined infrastructure deficit of \$9 million. PlaySJ recommends investigating replacing the aging civic arenas with multiplex options. A condition assessment of the LBR was completed in 2018 with an assessment of the four City-operated arenas planned for 2019; data from this work will assist in clarifying future investment decisions. A confirmed regional approach to managing the City's arenas, and potentially arenas in neighbouring communities, will impact the City's long-term arena supply plan. The City's Long Term Financial Plan, when completed, would be a very important factor in deciding on the future arena plan. Given the work required before a future arena plan can be finalized and given the request from Ice Associations for a phased-in approach to arena fee increases, staff are recommending arena rates for 2019-2020 not include a Capital cost recovery component.

2019-2020 Recommended Rates

The following table includes the hourly arena rental rates that City staff are recommending Common Council approve for its four City-operated arenas starting October 11, 2019. The 2018-2019 rates are also shown to the left to compare the rate categories and proposed change in rates.

Categories	Approved 2018-2019 Hourly Rate	Recommended 2019-2020 Hourly Rate
Early Morning	\$76.56	\$79.00
Pre Prime	\$86.96	\$90.00
Prime Time	*\$84.77	\$115.00
-Youth	**\$90.48	
Recreational	***\$111.11	
-Youth Tournament -School Hockey		
Prime Time	\$179.96	\$186.00
Post Prime	\$148.15	\$153.00
Seniors	\$52.70	****N/A

*Previous Youth Tournament rate

**Previous School/Birthday

***Previous Effective Average Rate with Youth Ice Sports Subsidy

****Seniors rate is proposed to be eliminated. Previous rate was applicable Monday – Friday, 8 AM - 4 PM. Seniors can use Pre Prime Rate for same period of time.

- All rates shown are exclusive of HST
- Early Morning applicable Monday – Friday until 8 AM

- Pre Prime applicable Monday – Friday, 8 AM - 4 PM
- Prime Time applicable Monday – Friday starting at 4 PM, and all day Saturdays, Sundays, Christmas Break, March Break, Statutory Holidays until 10 PM
- Post Prime applicable every day starting at 10 PM

The following table is very similar to a previous table presented in this report. However, this table shows the proposed City of Saint John 2019-2020 general Prime Rate and Prime Rate available for organizations in the “Youth Recreational” category in comparison to other arena rates in the region. The other rates shown are from the 2018-2019 season; to be conservative, staff did not make any assumptions on changes in hourly rates for the upcoming season at these other regional arenas.

Arena	Saint John	LBR	Rothsaya Arena	Quispamsis Memorial	QPlex	River Valley Community Centre	Rothsaya Netherwood School
Prime Rate	\$186.00	\$191.30	\$152.17	\$165.22	\$187.82	\$170.43	\$165.22
Youth Rate	\$115.00	**	\$108.70	\$113.04	N/A	\$117.39	N/A

*City of Saint John rates shown are proposed for the 2019-2020 season. All other comparative rates are from 2018-2019 season, except QPlex is current rates. All rates are exclusive of HST.

**LBR Board may choose to charge a lower youth rate in lieu of the City offsetting some fees through the Youth Ice Sports Subsidy

Updating the City’s Ice Allocation Policy

City staff have proposed changes to the City’s Ice Allocation Policy. The revised policy is attached to this report. The more significant proposed changes to the policy are highlighted as follows:

- Aligning youth ice allocation benchmarks with recent performance. These changes allow youth organizations similar priority access to ice as in recent years, but lowers a benchmark that was never reached. This places better controls on maintaining revenue opportunities with the elimination of the Youth Ice Sports Subsidy,
- Stricter cancellation rule. The current policy allows ice renters to cancel ice bookings up to 5 days in advance without penalty. This was changed from 3 days the year previous, which resulted in fewer cancellations. The proposed policy does not allow “mass renters” to cancel ice after the end of September. This recommendation was proposed by Ice Associations. Cancellations account for approximately \$30,000.00 in lost revenues annually.
- Unpaid Non-Resident User Fees and penalty to Ice Associations. Associations that knowingly allow players that are non-residents to participate in seasonal ice without purchasing a recreation card will be fined \$300.00 for each participant upon discovery after the end of January. The fine will go on the seasonal ice invoice. In the event that the

non-compliant player purchases a recreation card, the fine will be reduced to \$100.00. Staff intend to notify associations in December when instances are discovered to provide time for non-residents to purchase a card or the associations to take correction action before the end of January.

- Introduction of further policies related to the Recreation Card Program. (Note: further policy changes may be recommended in the coming months).
- Requirement that youth organizations have insurance that includes Limit and Conditional Coverage for Physical and Sexual Abuse.

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.

SERVICE AND FINANCIAL OUTCOMES

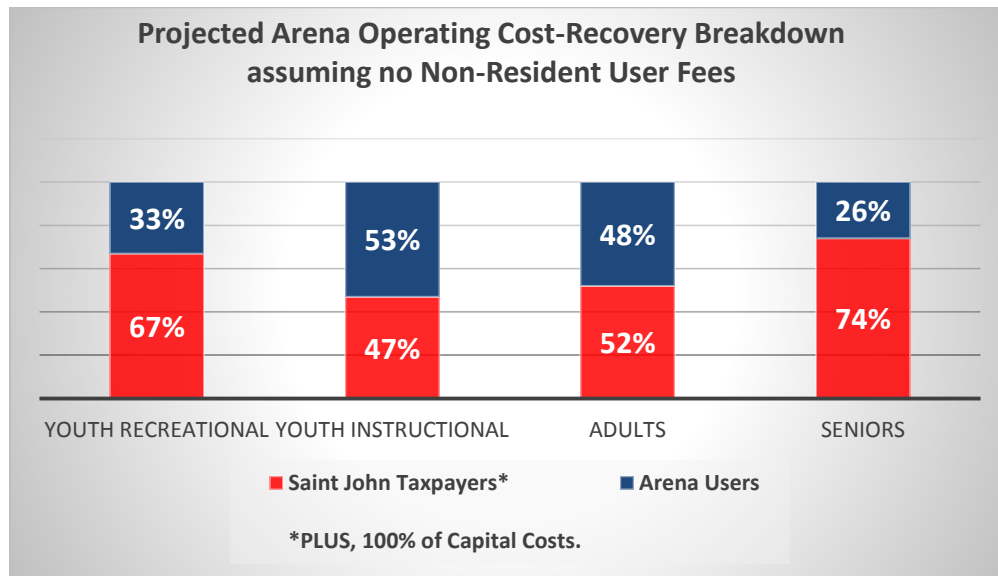
An approximate \$92,000.00 increase in net revenues over 2018-2019 revenues would be expected if Council supports the 2019-2020 rates and rate management changes recommended by staff in this report. This projection assumes no change in demand; some related policies are expected to cause a decrease in demand whereas others are expected to cause an increase in demand. \$30,000.00 of this net increase is attributable to preventing cancelled bookings.

The recommended 2020 General Fund Revenue budgets for the four arenas would actually decrease by a combined \$116,000.00 even though net revenues would increase by an estimated \$92,000.00. The \$173,000.00 Youth Ice Sports Subsidy is listed as a cost in the General Fund Operating Budget; this cost would be eliminated in the 2020 operating budget, offsetting the new lower Youth Recreational Prime Rate that would result in lower revenues. The City has received on average \$35,000.00 below budgeted revenues over the last 5 years.

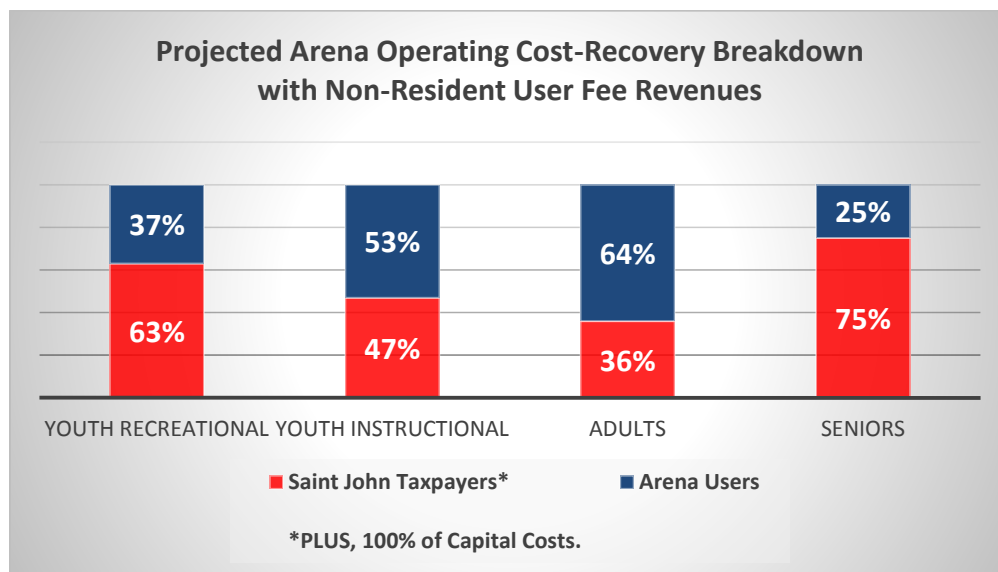
The projected gross revenues from the Non-Resident User Fees communicated at the June 17, 2019 Council meeting would reduce from \$152,000.00 to \$139,000.00 as a result of not requiring Recreation Cards from those in the Youth General category. These revised revenues would be listed on a new budget line in the 2020 General Fund Revenue Budget, to be offset by the cost to implement the program, budgeted in the 2020 General Fund Operating Budget. Staff are also confirming a revised implementation cost that is expected to be lower than the previously communicated \$70,000.00, resulting in a similar net revenue projection similar to the \$82,000.00 estimate previously communicated.

The following two tables show the projected cost recovery percentages expected to be achieved from each User Type in the 2019-2020 season, based on the same assumptions as described in the previous paragraph and an assumed 3% increase in operations & maintenance costs.

The first table is to show the direct impact on rate and rate policy changes between the 2018-2019 and the 2019-2020 seasons. No change in recovery percentage is expected from the Youth Recreational user type over the previous season. However a 5%, 3% and 14% recovery increase is expected from the Youth Instructional, Adult, and Seniors categories, respectively.



The second table is to show the cumulative impacts of the rate and rate policy changes as well as the implementation of the Non-Resident User Fee. As consistent with the report presented at your June 17, 2019 meeting, the data in this table assumes a 25% reduction in Non-Resident users.



The Adult user type has a higher percentage of non-resident users than the Youth Recreational and Senior types, which caused a greater increase in User cost-recovery rates when accounting for the Non-Resident User Fees. It is anticipated users from the Youth Instructional category will not be required to obtain a Recreation Card and therefore the cost recovery percentage does not change.

Even with the proposed rate structure, the City would continue to invest in recreational opportunities for citizens, particularly youth. The City continues to support the PRO Kids service for families who need assistance in paying the cost of their child's participation in sport and other activities.

INPUT FROM OTHER SERVICE AREAS AND STAKEHOLDERS

A Task Force of City staff from Parks & Recreation, Finance, and Continuous Improvement have contributed to this report.

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.

ATTACHMENT

Staff Presentation to Common Council
Updated Ice Allocation Policy for approval by Common Council