

COUNCIL REPORT

M&C No.	M&C 2019-57
Report Date	March 19, 2019
Meeting Date	March 25, 2019
Service Area	Transportation and Environment Services

His Worship Mayor Don Darling and Members of Common Council

SUBJECT: Regional Ice Strategy Update

OPEN OR CLOSED SESSION

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

AUTHORIZATION

Primary Author	Commissioner/Dept. Head	City Manager
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RECOMMENDATIONS

Your City Manager recommends Common Council:

1. Endorse Mayor Darling's motion he presented for consideration at the March 25, 2019 Regional Service Commission Board meeting that reads as follows:
 - a) Commit by May 1, 2019 to the following principles of a regional arena funding formula:
 - i. The formula shall redistribute the applicable total operating cost deficit of all regional arenas among taxpayers of the respective municipalities and LSDs based on proportion of usage in the respective jurisdictions,
 - ii. 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.
 - b) Approves, only after commitments in (a) are obtained, external consulting services be hired to define the applicable operating cost deficits by accessing, and reviewing for consistency, usage and financial data related to each regional arena. The Commission agrees the applicable operating cost deficits and usage data defined by the consultant will be binding.
 - c) Commission Directors will provide a resource for the Staff Working Group to coordinate (b)
 - d) Commit to exploring further regional collaboration relative to arena management following a ratified arena funding agreement. Collaboration would include sharing resources, sharing arena Capital costs, and developing an arena supply plan that meets the current and future demands of users and/or is financially sustainable for the regional taxpayers.

2. Proceed with Saint John's alternate Plan B "non-resident user fee" approach in the absence of agreement from the Regional Service Commission as sought in (1a) by May 1, 2019
3. Reconfirm that Saint John Common Council believes a co-operative regional approach is preferred over a solution that requires a form of non-resident user fees to advance the priorities of regional fairness and sustainability

EXECUTIVE SUMMARY

The City of Saint John is at a cross-roads in its involvement in working toward a collaborative Regional Ice Strategy. There is a need for regional consensus on principles that would define a fair and sustainable arena funding formula and agreement. In the absence of movement on collaborative solution, the City will need to continue to pursue a solution that achieves fairness and sustainability on its own.

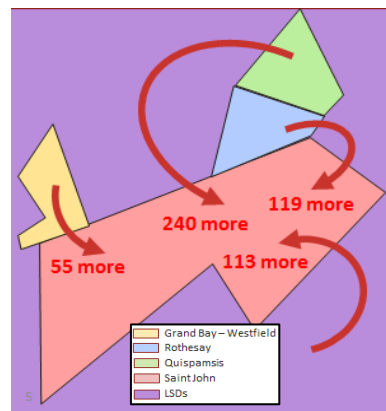
REPORT

The purpose of the Regional Ice Strategy is to improve regional co-operation in the management of similar facilities (arenas) for similar customers. It started in 2017 as a result of the Regional Service Commission's completion of a Regional Recreation Plan in 2016. The City of Saint John advocated that the Ice Strategy be the first pilot project when it was presented with the final 2016 plan.

The City advocated for the Ice Strategy and provided a staff resource towards its development because of the opportunities it presented in seeking regional fairness and sustainability:

- It was important that demand and supply of arenas be considered regionally to align with the fact the customers are regional
- Regional sharing of resources for essentially identical services can generate cost savings for all taxpayers and users
- A funding formula and agreement would align taxpayer subsidization with usage levels from the respective jurisdictions within the region.

With the data currently available, there is an imbalance between taxpayer responsibility for arena lifecycle cost contributions and the level of use from each jurisdiction. Approximately 1/3 of the use of Saint John's arenas is from outside our city. The adjacent figure demonstrates the net difference between the number of users from each town and all LSDs using City arenas relative to flow in the other direction. In each case, Saint John is supplying more ice to our neighbours' users.



The Regional Ice Strategy developed over approximately a one year period between 2017 until 2018. A Working Group of staff members from the Commission, municipalities and LSDs worked on the strategy. Two consultation sessions involving municipal Council and LSD leadership representatives from across the region were completed in August 2018 provided additional input. Check-ins with the Commission Board were completed at various point in time.

City staff did a check-in with Council in September 2018 to ensure Council was aligned on a set of principles as staff continued working their regional partners toward the strategy and associated funding formula. The principles, that generally fit into one of two overall themes of regional fairness or sustainability, were:

- Arena lifecycle costs (design, construction, operation, maintenance, capital renewal, decommissioning) need to be recovered from regional users and taxpayers in a deliberate, consistent, fair, and financially sustainable way
- Share of arena lifecycle costs from the taxpayers between the different municipalities and LSDs should be based primarily on the proportion of regional use with some consideration of other factors such as comparative tax bases, level of service provided at the respective facilities, lifecycle phase of respective facilities, and location of the arenas (user convenience and positive economic impact for host municipalities),
- The municipalities and LSDs need to obtain residency data from users of the arenas in the 2018-2019 season necessary to ensure taxpayer costs are more fairly distributed based on use,
- A funding agreement needs to be in place in time to allow for sufficient communication in advance of the 2019-2020 winter season that starts in October 2019,
- Collaborative efforts to reduce costs and increase revenues need to be explored to reduce burden on all regional taxpayers and users, such as matching inventory of available ice surfaces to demand, and more importantly, affordability and exploring efficiencies associated with co-located ice surfaces from a regional perspective,
- The City of Saint John remains open to extending the strategy and developed agreement for other recreational facilities and programs in the future. However, implementation of the arena model needs current focus.

The draft Regional Ice Strategy was released publicly in the Fall of 2018 for review. The draft Strategy and other information about the project can be found at: www.fundyrecycles.com/ice.

Page 19 of the draft strategy describes guiding principles believed to best capture the regional views in pursuing the funding formula. Staff point out a few aspects of these guiding principles:

- There must be mutual benefits and risks

- The funding model needs to consider lifecycle costs and be data driven
- The data that would be used to develop the funding model was not clarified.

Page 17 of the draft strategy summarizes a review of funding formulas used in other jurisdictions in the province and beyond. Unfortunately a preferred formula is not identified in the draft strategy as a result of this review. However, there are some take-aways identified:

- A formula used in Nanaimo BC is referenced more than other formulas
- The need for a formula that is fair to all communities is referenced
- A solution that unfairly targets LSDs should be avoided

City staff believe the referenced Nanaimo BC funding formula has similarities to our Fundy Region:

- Multiple jurisdictions supply and use the referenced recreation facilities
- The formula appears to fairly redistribute taxpayer subsidization of the referenced recreation facilities based on usage levels

After public release of the draft Strategy, the Working Group developed working funding formulas that could be applicable to the Fundy Region. Although there were variations of both, essentially two models were developed.

The City staff representative on the Working Group developed one of the funding formulas. This formula can be described as follows:

- The formula first calculates and adds up the net status quo taxpayer subsidization of all regional arenas (with the exception of Harbour Station given its cost sharing formula in the Regional Facilities Commission legislation). The net subsidization of each arena is calculated from:
 - Operations & maintenance costs related to service provided
 - A proportion of “normalized” lifecycle asset costs
 - Subtracting revenues generated from user fees
- The formula also calculates the proportion of regional usage from each municipality and LSD
- The formula then redistributes the total regional taxpayer subsidization responsibility between jurisdictions based on proportion of use and identifies if there is a net contribution due or owed based on comparison with status quo subsidization.
- For any jurisdictions owed a contribution from others, the formula requires investment of a proportion of what is owed toward its arenas’ Capital costs
- City staff built some flexibility into the formula if required to build consensus such as:
 - Debiting any additional benefit received by taxpayers and/or users that are in proximity to an arena
 - The formula allows other weighted factors besides usage data to be considered

Another funding formula was developed by other members of the Working Group. This model can be described as follows:

- The formula calculates a tax levy from each LSD without an arena
 - The levy is capped at 3 cents based on Provincial input and application elsewhere
- Credit is given to LSDs for recreation spending, which equally reduces the levy below 3 cents
- The formula then adds up the LSD tax levies and distributes to municipalities proportional to the number of arenas in jurisdictions
- The formula obligates capital reinvestment of a portion of funding each municipality receives from the LSDs
- The levy is intended to cover broader recreation services than just arenas

City staff believed there was a fundamental difference between the two formulas. The formula the City representative developed provided a fair redistribution of taxpayer subsidization responsibilities whereas the formula developed by others only contemplated corrections in responsibility for a portion of the region (the LSDs). With the cross flow data available that demonstrated the City is also subsidizing town users, and the City's consistent believe in a regionally fair funding formula, staff could not support the formula developed by others. There was also not consensus with using the City's formula.

The City representative on the Working Group continued to remain open to building consensus while adhering to the City's consistent Guiding Principles. The City representative developed a formula that combined philosophies of the two previous ones. There was some value in considering LSDs once and similar to other jurisdictions in the province given the need to involve the Provincial Department of Environment & Local Government. City staff was clear however that subsidization realignment based on usage between municipalities must be part of solution to remain aligned with City's consistent commitment to regional fairness. Unfortunately consensus on this combined formula was also not reached.

A lack of clear regional consensus has been a significant issue in making substantial progress. As mentioned previously in this report, the draft Strategy released in the Fall did not propose a preferred funding formula and did not identify what data should be considered in developing it. When presented with the draft Strategy, the Councils of the region were asked to continue exploring funding formulas and to require its arena users to collect residency data. There was support for the two recommendations except for one municipality making their support contingent on support from all other partners and another municipality not approving the collection of user data. Staff also reviewed the minutes of Board meetings of the Regional Service Commission in relation to the Strategy; there were three received and filed updates to the Strategy and an approval to engage a consultant to assist with consultation sessions.

Reliable data to use within a funding formula was another barrier to achieving regional consensus. There was only very recent unanimous support from municipalities to collect user data and there has been some concern over use of collected data from regional ice user associations. There are differences in how municipalities report on arena service and facility costs.

A Regional Service Commission Board meeting scheduled for the morning of March 25, 2019 includes a report and recommendations relative to the Ice Strategy. This meeting would have been concluded when Common Council considers this report and recommendations. Staff attached the March 25 Commission report to this report.

City staff agree with the report that regional data (such as usage and financial data) needs to be improved. Unfortunately, however, the report also makes references to data that is incomplete. The City's arena usage data is reported without regional context and all factors that will need to be considered to improve the quality of the data are not reported.

City staff believe alternate resolutions to the recommendations in the report are required to advance regional consensus toward a finalized Ice Strategy. This conclusion is based on the following observations in reviewing the March 25 Commission report:

- The contextual information in the report is incomplete
- The two recommendations, proceeding with LSD resident contributions and finalizing contributions from municipalities, are independent and therefore are not aligned with a regionally fair solution
- Recommendation 2 does not further regional consensus on a funding formula as it simply asks the municipal partners to continue working on it
- Recommendation 2 would require continued investment of City resources without advancing consensus on a regionally fair formula.

City staff would like to provide Council with context around the term "User Fees" that has generated a stigma in the region:

- Each municipality in the region charges user fees
 - The proportion of lifecycle costs paid by users and taxpayers is a reflection of value of public good received. The level of public good that justifies the degree of taxpayer subsidization in the place of full cost recovery from user fees may be perceived differently in each community. The City's Operating Budget Policy requires deliberate reflection in this regard with referencing full lifecycle costs.
- The term "Non-Resident User Fees" has its own stigma. However, non-resident user fees are used in other jurisdictions. Application by the City of Saint John would allow regional fairness to be achieved in the absence of regional co-operation and would not be intended to be punitive.

- Staff suggest Saint John Common Council could reconfirm its belief that a regional co-operative approach is preferred over non-resident user fees. Staff also point out that the resources Common Council has invested in the Regional Ice Strategy has demonstrated this belief.

STRATEGIC ALIGNMENT

This report aligns with Council priorities and policies:

- Council's Financial Responsibility priority related to revenue generation
- Council's Operating Budget Policy
- Council's commitment to Asset Management

SERVICE AND FINANCIAL OUTCOMES

The exact opportunities related to service and financial outcomes remain unconfirmed until agreement on a funding model is reached or implementation plan of Saint John's Plan B are detailed. In either outcome, the goal is to align taxpayer contributions with usage of regional arenas from each jurisdiction.

ATTACHMENTS

Ice Strategy report on March 25, 2019 Regional Service Commission agenda

City Staff presentation slides for March 25, 2019 Common Council meeting