

HIGH LEVEL SUMMARY OF MOVING TO A 25% TAX SUBSIDY IN RECREATION

Issue

Council directed that a business case including impacts and phased-in recommendations be developed for consideration of reducing tax support for Community Services – recreational services from 35% to 25% tax subsidization. A high level summary showing the implications of moving from a market rate and goal of 65% user-pay ratio to a 75% user-pay ratio for recreation user fees is provided.

Motion Proposed by Administration

That Council endorse the following as the key principles for fees and charges in the Town:

- 1) Council's priority is to establish fees and charges to enable accessibility and to create equity for citizens while supporting long-term financial sustainability, ensuring the protection of The Town's financial interests; and
- 2) Fees and Charges are:
 - a. Fair and equitable, ensuring those who benefit from consumption of a good or service, contribute to some or all of the cost recovery of the benefit;
 - b. Defensible in that data is available to support the fee or charge;
 - c. Clear, understandable, transparent and standardized;
 - d. In alignment with regulatory and/or legislated requirements;
 - e. Presented for approval on a regular cyclical basis; and
 - f. Able to be phased-in to minimize impact to customers.
- 3) The assumptions will be that the limited number of current free/low cost admissions will remain as free/low cost and that regular paid admissions for spontaneous activity will remain at market rates.

And further that Council direct that in 2021 Administration complete more in depth analysis of both social and financial impacts of a 25% (from 35%) taxpayer supported ratio for recreation user fees. The analysis will be presented in 2021 before Council contemplates the 2022 budget guidelines and will include impacts of rental rates and paid programs a one-time increase or graduated increase over a 5-year period.

Report, Analysis, and Financial Implications

Municipalities are in the business of providing recreation and cultural services to the community to enhance the quality of life of its citizens. Recreational opportunities support healthy and active lifestyles, social connections, and support the development of community resiliency. The level of tax subsidization provided recognized that economic barriers to participation could occur if a higher level of the costs were born by the user. The social and economic impacts are often balanced with a level of tax subsidization to ensure equity in access and overall enhancement of the social fabric of the community. Changes to the level of subsidization will therefore have impacts on more than the financial bottom line of the Town.

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Fees and Charges are: (1) Fair and equitable, ensuring those who benefit from consumption of a good or service, contribute to some or all of the cost recovery of the benefit; (2) Defensible in that data is available to support the fee or charge; (3) Clear, understandable, transparent and standardized; (4) In alignment with regulatory and/or legislated requirements; (5) Presented for approval on a regular cyclical basis; and (6) Able to be phased-in to moderate impact to customers.

Current rental, program and admission rates are based on comparable rates in similar and neighbouring facilities/municipalities and on an overall cost recovery principle of 65% cost recovery or 35% level of tax subsidization. Council has requested an evaluation of new guidelines for 25% tax subsidization for recreation services. A very high-level summary of the financial impact is provided at the end of this report. However, Administration recommends a much more in-depth review and analysis which would consider the following:

- 1) Full Cost Accounting: Uses the estimated total cost of providing the good or service as the starting point for the fee calculation.
- 2) Market and Consumer Analysis: Takes into account the dynamics of comparable markets with similar products or services.
- 3) The social implications of large rate increases and moving to higher than market rates along with any possible unintended financial consequences of moving to higher rates.
- 4) Council's Draft Policy Statement for Active Lifestyles: which states that residents will enjoy an active lifestyle that nurtures community wellbeing and supports the needs of citizens at every stage of life. Opportunities for sport and play are accessible in high quality recreation facilities, multi-use civic buildings and a complete parks and open space network. These public spaces strengthen the bond between residents and the places they share.

- 5) The required alignment between higher fees and the need for additional support from fee assistance programs. The Family Resource Centre (OFRC) fee assistance program currently does not cover registration fees for non-town organized programming (i.e. OFRC fee assistance does not cover registration fees in third party sport organizations). In recent years, programs such as Kid sport and Jumpstart have not been able to meet the annual requests and run out of annual funding early in the fall.
- 6) Overall corporate alignment with these fees and charges philosophies.

As a starting point, the financial implications of two different models have been reviewed. The first model highlights the financial impacts of having rentals and paid programming offset the cost of all spontaneous use activities. The second model shows the financial implications if only rental activities offset the cost of all spontaneous use and paid programs remain at market rates.

The tables below indicate the current cost recovery for each Business Centre (including a relevant percentage of Client Services) and the percentage increase that would be required to attain a 75% cost recovery. The impacts do not reflect the funding of major one-time operating project expenditures, which are currently funded by property tax reserve contributions.

Model 1: Rentals and paid programming offset the cost of spontaneous use					
	Current Cost recovery	One time % increase	Or	Increase over 5 years (includes 2% annual inflation rate)	
Arena:	65.0%	25%	Or	7%/year	
Aquatic rentals:	55.2%	58%	Or	13.5%/year	
Aquatic swimming lessons:	55.2%	58%	Or	13.5%/year	
Community programs: *Includes community events, youth centre	51%	37%	Or	9.5%/year	
Sports fields	26%	66%	Or	15.5%/year	
**Assumptions 1) All program rental and registration levels remain the same. User groups/individuals do not go to neighbouring facilities which charge less or withdraw from participation altogether. 2) Proportionate Client services cost allocation: Aquatics 30% ,Programs 30%, Recreation Facilities 30%, Parks 10%					

Approximate annual increase for sample organizations if a 75% cost recovery (one-time) was implemented, assuming that rentals and paid programming offset the cost of free/low cost and spontaneous use admissions.

- Okotoks Minor Hockey: \$145,000/year
- Okotoks Skating Club: \$40,000/year
- Okotoks Junior A Oilers: \$15,500/year
- Basketball: \$9,500/year
- Each individual Swim Club: \$3,500/year
- Swim Lessons: \$160/set
- Dewdney Players: \$102,500/year
- Church: \$32,500/year
- Foothills Minor Baseball: \$63,000/year
- Okotoks United Soccer: \$11,500/year

Model 2: Structured Rentals offset the cost of all drop-in (unstructured) and paid program activities remains at market rates			
	One time % increase	Or	Increase over 5 years (includes 2% annual inflation rate)
Arena rentals:	28%	Or	7.6%/year
Aquatic rentals:	71%	Or	16.5%/year
Sports fields	70%	Or	16%/year
**Assumptions 1) All program rental and registration levels remain the same. User groups/individuals do not go to neighbouring facilities which charge less or withdraw from participation altogether. 2) Proportionate Client services cost allocation: Aquatics 30% ,Programs 30%, Recreation Facilities 30%, Parks 10%			

Approximate annual increase for sample organizations if a 75% cost recovery for the business unit (one-time) was implemented (assuming that rentals offset the cost of free/low cost and spontaneous use admissions and paid programs are cost recovery per program).

- Okotoks Minor Hockey/OOAA: \$202,500/year
- Okotoks Skating Club: \$41,000/year
- Okotoks Junior A Oilers: \$18,000/year
- Basketball: \$13,500/year
- Each individual Swim Club: \$4,000/year
- Dewdney Players: \$102,500/year

- Church: \$32,500/year
- Foothills Minor Baseball: \$67,500/year
- Okotoks United Soccer: \$12,000/year

Alternatives for Consideration

That Council continue to use the current philosophy which is setting recreation and cultural rates using market rates and working towards a 65% user pay ratio.

Attachment(s) - none

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