

Public Release
April 24, 2018



**Town of Aurora
Additional Items to
Finance Advisory Committee
Meeting Agenda**

Wednesday, April 25, 2018
5:30 p.m., Holland Room

- **Item 4 – Memorandum from Director, Community Services
Re: Pricing Policy for Recreation Services**



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**Town of Aurora
Community Services**

Memorandum

Date: April 25, 2018
To: Finance Advisory Committee
From: Robin McDougall, Director, Community Services
Re: **Pricing Policy for Recreation Services**

Recommendation

- 1. That the memorandum regarding Pricing Policy for Recreation Services be received; and**
- 2. That the comments from the Finance Advisory Committee be received and referred to staff for consideration and action as appropriate.**

Background

The Town of Aurora is undertaking a review of the Pricing Policy for Recreation Programs and Services (current policy was adopted in 2009). Council requested that the Parks, Recreation and Cultural Services Advisory Committee (PRCSAC) and the Finance Advisory Committee (FAC) consider and provide input for the review.

Staff presented information at the PRCSAC meeting on April 19, 2018.

The attachments will provide some details of the current program cost recovery, as well as an overview of some pricing studies completed in other municipalities. This overview includes an outline of the common themes that were included in their pricing policies, such as; societal benefits, comparative pricing and service trends. Additional information will be brought forward during the meeting for discussion.

The 2009 policy requires updating; staff will discuss the option to hire a consultant to complete the pricing policy and will be seeking the Committee's input.

Pricing Policy for Recreation Services
April 25, 2018

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Attachments

- Attachment No. 1 – Recreation Program Cost Recovery
- Attachment No. 2 – Notes on Town of Aurora Pricing Study
- Attachment No. 3 – Town of Aurora's Pricing Policy (2009)

Recreation Program Cost Recovery

Attachment No. 1

Program Name	Expenses/Operating Costs	Revenue	Actual Cost Recovery Percentage	Recommended Cost Recovery Target in Current Policy
Intro/General preschool program	\$687 per 10 classes, 1 hour per week (included indirect expenses of 25%)	\$540 based on minimum 6 participants	68%	minimum 30%
Intro/General children program	\$496 per 10 classes, 1 hour per week (includes indirect expenses of 25%)	\$570 based on minimum 6 participants	more than 100%	minimum 30%
Intermediate/Holiday preschool	\$136 per 1 hour class (includes indirect expenses of 25%)	\$72 based on minimum 6 participants	51%	minimum 55%
Red Cross swim lessons	\$245 per 10 classes, once per week (includes indirect expenses of 50%)	\$275 based on minimum 4 participants	more than 100%	minimum 30%
Aquafit Class	\$396 per 10 classes, once per week (includes indirect expense of 50%)	\$456 based on minimum 6 participants	more than 100%	minimum 30%
Intermediate/Holiday children program	\$731 per 8 classes, 1 hour per week (includes indirect expense of 25%)	\$636 based on minimum 6 participants	85%	minimum 55%
Advanced/Speciality children program	\$1,725 per 8 classes, 1 hour per week (includes indirect expense of 25%)	\$1,740 based on minimum 6 participants	more than 100%	minimum 75%
Advanced/Speciality adult program	\$770 per 6 classes, 1 hour per week (includes indirect expense of 25%)	\$720 based on minimum 6 participants	93%	minimum 75%

Note: Indirect expenses include facility operating and maintenance costs, customer service support costs, utilities, full-time program costs, capital maintenance/replacement. They are calculated (using the percentage indicated) once the direct costs have been determined.

Attachment No. 2

Notes on Town of Aurora pricing study:

-Several pricing studies were looked at including those from the City of Edmonton, City of Windsor, Town of Oakville, the City of Pickering, Town of Richmond Hill, Township of Kind and the City of Mississauga. There were some common themes between all including:

- Societal benefit – this subscribes to the notion that recreation activities yield varying degrees of benefit to both individuals and the overall community. Some activities provide more individual benefit and others provide a benefit to the community as a whole, even when the community as a whole does not participate in the activity. A “learn to swim” program contributes to an individual’s skill development, as well as health. The broader community also benefits through the promotion of aquatic safety. Many activities that focus on health healthy physical activities also contribute to the general reduction of health costs. Targeted programs such as those directed to assist youth at risk, might assist in reducing justice and safety costs. Typically, these kinds of programs are heavily subsidized. Other activities may promote strong cohesive families and communities and contribute to general community wellbeing and social service cost reductions. This broader community gain is typically referred to as societal benefit.
- Comparative pricing – It is important that fees are matched to other providers of that service. This most frequently applies where the private sector provides options.
- Service Trends – Increasing or decreasing popularity of a program or activity changes the priority of the service outcomes. As an example, the past several years has seen a significant increase in services that support active living. Changes in the demographics of many communities can also result in an increase or decrease in the popularity of programs. These trends will influence the demand for services and the focus of services provided.

**THE CORPORATION OF THE TOWN OF AURORA
DEPARTMENT OF LEISURE SERVICES
PRICING POLICY FOR RECREATION SERVICES**

Attachment No. 3

SECTION I: DEFINITIONS

In this Policy:

Capital Cost means the cost to replace the Town's recreation/leisure service facilities over the next 50 years.

Cost Recovery means the amount/proportion of total operating costs (direct and indirect) paid for by the user of a program, facility or service rather than by the municipality through its tax base.

Direct Facility Operating Cost means the costs of facility union and part-time wage costs/benefits, light, heat, water, and maintenance, operating supplies and any costs to provide the space for the activity to take place.

Direct Program Operating Cost means the costs of part-time wages/benefits or contract fees, materials, supplies and rental costs associated with the provision of a program.

Indirect Facility Operating Cost means the costs of full-time staff salary/benefits and overhead costs for directors, managers, operations supervisors, booking clerks, and carpenters associated with the provision of space for recreational activities to take place.

Indirect Program Operating Cost means full-time staff salary/benefits and overhead costs for director, manager, complex administration and department administration associated with the provision of a program.

Low Income Household means the threshold, as determined by Statistics Canada, at which a household devotes a larger share of income to the necessities of food, shelter and clothing than the average family.¹

Public Good Characteristics means a good or service that is available for everyone to consume and provides community-wide benefits (e.g. education, transit, recreation). While there is a cost associated with the provision of public goods, the cost is shared by all members of the community. One person's participation/consumption does not preclude another person from participating or consuming that same good.

Target Group means a subset of the Town of Aurora's population intended to be the main beneficiaries of a recreational service or a subset of the population with specific physical, social and/or financial needs (e.g. children, youth, seniors, low income households, special needs groups, new or emerging groups).

Total Operating Costs means the total direct and indirect program and facility costs.

User Fee means a fee paid directly by a user to gain access to a program, facility or service (e.g. admission or membership fees, program registration fees, facility or equipment rental/permit fees, special service charges, etc.).

SECTION II: PURPOSE

The Town of Aurora is committed to promoting a healthy environment and fostering the social and physical well-being of its residents. The municipality provides a range of recreational facilities and programs through its Leisure Services Department. All recreational services provided by the Town of Aurora have a cost associated with them. Some recreational services and amenities are paid for solely by the municipality through tax dollars, and are available at no additional cost to users (e.g. parks, trails, splash pads, programs for special target groups). For other services and amenities, users must pay an admission, program, permit or service fee (e.g. swimming lessons, ice rental, camps, and fitness centres). This user fee revenue is used to offset a portion of the facility and program operating costs.

The Town requires an up-to-date recreation pricing policy and a consistent and transparent approach to setting affordable user fees in order to:

1. Accommodate the needs of Aurora's expanding and diversifying population and balance the interests of individuals and those of the wider community; and
2. Effectively allocate public funds for recreational services and facilities and achieve appropriate cost recovery targets.

¹ For a municipality the size of Aurora, Statistics Canada identifies the low income cut-off at \$11,784 (before tax, 2005 dollars) for a one-person household and up to \$47,063 (before tax, 2005 dollars) for a household with seven or more persons. Source: *Low Income Cut-offs for 2005 and Low Income Measures for 2004*, Catalogue No. 75F0002MIE - No. 004

Balancing the Recreational Interests of Individuals and Those of the Wider Community

Studies undertaken by federal and provincial government agencies and reputable research institutes clearly illustrate that investment in recreation can result in long-term health care and social service cost savings and that an active population can contribute to the economic vitality of a municipality. As such, the use of public funds to promote and facilitate general access to recreation not only benefits the lives of individual users, but the community at-large.

Some recreational activities, however, have greater 'public good' characteristics than others, such as teaching essential life and safety skills, allowing for broad participation and/or providing services to special target groups. In addition, there are certain recreational facilities that the private market generally cannot provide at an affordable rate due to large capital and on-going operating costs (e.g. swimming pools, outdoor sports fields). The Town of Aurora plays an important role in providing public access to such facilities at a reasonable cost and should prioritize the allocation of public funding for such activities. Other recreational activities and facilities have fewer 'public good' characteristics as they primarily benefit a smaller number of users and can be reasonably accessed through the private or non-profit sector.

Effective Allocation of Public Tax Dollars

Historically, the Department of Leisure Services wisely used public funds to successfully provide affordable access to recreation services. This formal pricing policy is intended as a general mechanism for effectively and consistently allocating municipal tax dollars. It will provide a higher level of certainty for achieving minimum cost recovery targets through the generation of user fee revenue.

This recreation pricing policy provides a transparent and consistent approach to setting user fees and cost recovery targets as it is based on:

1. A series of guiding principles that will ensure a fair, objective and equitable approach is used to consistently set user fees;
2. The recognized need for affordable access to basic recreation services for all Aurora residents, and particularly target groups such as children, seniors, special needs populations, low income households; and
3. The categorization of all Town of Aurora recreation facilities, programs and services, with lower cost recovery targets for those activities which have greater 'public good' characteristics and progressively higher cost recovery targets for those activities with more limited 'public good' characteristics.

SECTION III: GUIDING PRINCIPLES

In consultation with recreation and leisure user groups, the following series of principles were established to help guide the pricing of all Town of Aurora recreational facilities, programs and services. These guiding principles reflect the strategic goals and objectives of the Town of Aurora and will allow for a consistent and transparent approach to setting user fees.

Role of the Town as a Service Provider

- The Town of Aurora will strive to continue to provide the opportunity for Aurora residents to participate in a wide variety of physical and non-physical recreational programs and activities;
- As the provider in the first resort, The Town of Aurora will aim to provide recreational facilities and services that are not generally offered by the private sector (e.g. parks and trails, outdoor sportsfield and ball diamonds, swimming pools);
- The Town of Aurora shall prioritize the funding of recreational facilities and programs that are most widely used by Aurora residents and target groups; and
- The Town of Aurora shall strive to respond to changing population needs, recreational trends and emerging target groups;
- The Town of Aurora recognizes the physical, social and economic benefits of providing recreation and leisure services and promoting healthy, active lifestyles; and
- The Town of Aurora recognizes the importance of being accountable to its users.

Access and Affordability

- The Department of Leisure Services will aim to provide access to quality, affordable recreational services to all residents and local user groups;
- The Department of Leisure Services will strive to equitably set user fees and cost recovery targets for different recreational activities;
- The Department of Leisure Services understands the importance of pricing recreational facilities, programs and services so as not to preclude or diminish participation;
- The Department of Leisure Services shall consider the full range of costs incurred by groups and individuals to participate in recreation, beyond the user fees charged by the Town (e.g. equipment, coaches, insurance, travel);
- The Department of Leisure Services supports providing children and youth groups with first access to lower cost rental facilities/times (e.g. unlit sports fields and ball diamonds and non-prime time hours);
- The Department of Leisure Services will aim to ensure that all low-income households and support service providers are aware of the available financial assistance to access the Town's recreation services and programs.
- The Department of Leisure Services will aim to promote and enhance opportunities for recreational activities that are part of the Town's public open space system and that have no associated user fees (i.e. walking, cycling, hiking, use of splash pads, bird watching).

Value

- The Department of Leisure Services is committed to providing clean, attractive and safe environments for persons recreating in Aurora parks and facilities;
- The Department of Leisure Services shall differentiate between types of recreational activities and service levels through appropriate pricing; and
- The Department of Leisure Services will strive to work with user groups to address the need to increase user fees in order to accommodate user group requests for new or improved facilities, maintenance or materials.

Community Participation

- The Department of Leisure Services shall encourage citizens to be actively involved in the organization and delivery of recreation services;
- The Department of Leisure Services shall strive to improve synergies between recreation groups, other service providers, public agencies and Town staff;
- The Department of Leisure Services recognizes the importance of developing partnerships with educational boards/authorities, social service agencies, service clubs, volunteer groups, user groups and the private sector; and
- The Department of Leisure Services shall aim to provide leadership, assistance and recognition to individuals and groups who help promote recreation and active living.

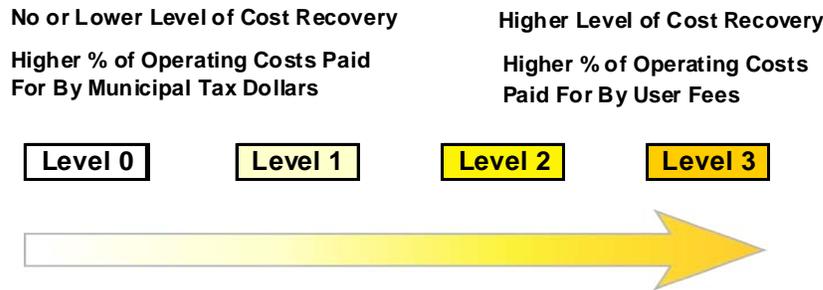
Fiscal Responsibility and Accountability

- The Department of Leisure Services acknowledges that the Town of Aurora does not have the financial resources to be the provider of recreation in the first resort for all activities;
- The Department of Leisure Services recognizes the important role played by volunteers in the delivery of recreation programs and services, including cost savings to the Town and its residents;
- When setting user fees and cost recovery targets, the Town of Aurora shall consider the wider and longer-term economic benefits when setting fees, such as health care and social service cost savings, sports tourism, etc.;
- The Town of Aurora shall promote sports tourism and tournaments as a source of revenue for the municipality;
- The Department of Leisure Services will strive to ensure broad public awareness of the wide range of recreation facilities, programs and services provided by the Town;
- The Department of Leisure Services will strive to promote increased participation and use of existing services and facilities to increase the level of cost recovery through user fee revenue; and
- The Department of Leisure Services shall continue to consider best management practices and potential for cost savings in the delivery of recreation.

SECTION IV. CATEGORIZATION OF RECREATION SERVICES AND COST RECOVERY TARGETS

The Town of Aurora must prioritize the funding of its recreation services in order to provide the greatest number of its residents, through broad-based participation, and target groups with affordable recreation opportunities.

The classification of all recreation services as either Level 0, Level 1, Level 2 or Level 3 activities will help distinguish between those activities that have the greatest 'public good' characteristics and for which no cost recovery or lower cost recovery should be tolerated (e.g. Level 1) and those more advanced or specialized programs and facilities for which user fees should cover a large portion of the total operating costs.



The following criteria are to be consistently used by the Department of Leisure Services to classify all existing and future recreational facilities and programs.

Level 0 – No cost recovery through user fees.

The Town of Aurora will prioritize the funding of Level 0 recreational facilities and programs and require no level of cost recovery given they have one or more of the following characteristics:

- Facilities intended to provide open and unlimited access (e.g. parks, trails, playgrounds, outdoor splash pads, skateboard and BMX facilities, outdoor skating rinks and tennis courts);
- Sponsored facility access (e.g. Tim Horton's Public Skate Hours);
- Public community event (e.g. parade, festival); and
- Special services for target groups (e.g. Seniors' Hour, certain drop-in programs).

Level 1 - A minimum of 30% of the total operating costs should be covered by user fees.

The Town of Aurora will prioritize the funding of Level 1 recreational facilities and programs and tolerate a lower level of cost recovery given they have one or more of the following characteristics:

- Offered at an introductory/general level and use basic materials (e.g. *Child Sing Along*, *Tai Chi Intro*);
- Aimed at target groups (e.g. children, youth, seniors, low income households, special needs groups, new or emerging groups);
- Largely supported by volunteers (e.g. youth team sports, senior's centre);
- Encourage family participation (e.g. recreational swimming and skating, parent and child pre-school programs);
- Teaches essential life and safety skills (e.g. *Babysitting Training*, *55 Alive Drivers*, Red Cross swim programs);
- Promotes physical activity;
- Encourages broad-based participation (i.e. fitness centres, lane swimming, basketball);
- Provided by the Town in the first resort; and
- Facilities that are part of the Town's larger public parks and open space system (e.g. baseball diamonds and sports fields).

Level 2: A minimum of 55% of the total operating costs should be covered by user fees.

The Town of Aurora will fund a portion of Level 2 recreational facilities and programs through the municipality's tax base, but aim for a higher level of cost recovery through user fees given that Level 2 services have one or more of the following characteristics:

- Offered to target groups at an intermediate level or are specialized holiday events (e.g. *Holiday Art Adventure, Show Biz Kids, Intermediate French*);
- Geared towards adults (e.g. *Adult Tennis League, Belly Dancing, Aqua Adults*); and
- Involve the use of premium or purpose-built facilities (e.g. rental of swimming pools and ice arenas).

Level 3: A minimum of 75% of the total operating costs should be covered by user fees.

The Town of Aurora will aim for higher levels of cost recovery for Level 3 recreational facilities, programs and services given they are:

- Advanced or specialty programs (e.g. *Robot Builders, Theatre Camp, Latin Way Level 2, Golf Fit*);
- Utilized by a small subset of the population;
- Offered on a private basis (e.g. private 1 on 1 swimming lessons, personal fitness training); and
- Generally provided by the private sector.

Figure 1. Town of Aurora Recreational Service Categorization and Minimum Cost Recovery Targets

0% Cost Recovery of total operating costs	Minimum of 30% Cost Recovery of total operating costs – with exceptions*	Minimum of 55% Cost Recovery of total operating costs – with exceptions*	Minimum of 75% Cost Recovery of total operating costs – with exceptions*
Level 0	Level 1	Level 2	Level 3
Public Parks	Introductory/General Preschool Programs	Intermediate Preschool Programs or Holiday Events	Advanced/Speciality Preschool Programs
Public Trails	Introductory/General Children's Programs	Intermediate Children's Programs or Holiday Events	Advanced/Speciality Children's Programs
Playgrounds	Introductory/General Youth Programs	Intermediate Youth Programs or Holiday Events	Advanced/Speciality Youth Programs
Water Play Spashpads	Introductory/General Senior's Programs	Intermediate Senior's Programs or Holiday Events	Advanced/Speciality Senior's Programs
Skateboard and BMX Facilities	Introductory/General Activity Camps	Intermediate Camps and Daycare/Babysitting Services	Advanced/Speciality Camps
Outdoor skating rinks	Red Cross Swimming Programs	General Adult Programs	Advanced/Specialty Adult Programs
Outdoor tennis courts	Recreational Swimming and Aqua Fitness (all ages)	Semi-Private Swimming Lessons	Private Swimming Lessons
Certain community events	Public Skating (all ages)	Intermediate Adult Swimming Programs	Private Fitness Training/Lessons
Certain programs for special target groups	Parks, Trails and other Public Open Space	Ice Rental (all ages)	Birthday Party Packages
Sponsored Facility Access (e.g. Tim Horton's Public Skate)	Ball Diamond and Soccer Field Rental (all ages)	Swimming Pool Rental (all ages)	Non-resident Fitness Memberships
	Community Space Rental (all ages)	Resident Fitness Memberships	Non-resident Artificial Turf Rental

*Notes:

The minimum cost recovery targets do not include an allocation for Capital Conservation/ Facility Replacement costs.

The Policy recognizes there are circumstances where the minimum cost recovery targets cannot be met in the short to medium-term. Examples include situations where existing fees would have to be increased by more than 50% in order to reach the minimum target, fee increases are shown to result in loss of participants and consistent pricing is required within a program series (e.g. swimming lessons).

SECTION V: POLICY RECOMMENDATIONS

1. It is intended that a range of recreational services be available to all citizens and that no Aurora residents shall be excluded from participating in recreational activities because of an inability to pay.
2. User fees are to be calculated to achieve minimum operating cost recovery targets - currently set at 30% for Level 1 activities, 55% for Level 2 activities and 75% for Level 3 activities.
3. The necessary fee increases and additional service fees (e.g. hydro fees for lit soccer fields and ball diamonds) required to achieve the minimum cost recovery targets are shown in Schedule A. Fee increases will be phased in over time (2009 onward) or until the minimum cost recovery targets are met. The fee increases related to achieving cost recovery targets do not include annual inflation rates.
4. The Department of Leisure Services will take into consideration historic pricing when implementing fee increases to meet cost recovery targets. The Department may tolerate a longer period of transition (i.e. phased increases) for certain services that have historically had low cost recovery rates (e.g. the rental of ball diamonds and sports fields, private swimming or fitness lessons).
5. Annually, the Leisure Services Department will prepare cost recovery reports which identify total direct and indirect costs associated with all recreational activities. These cost recovery reports will be made available to the Town's Leisure Services Advisory Committee (LSAC).
6. The categorization of activities and the associated cost recovery targets will be reviewed annually with due consideration to the operating budget impact and may be adjusted to accommodate changes in municipal requirements for cost recovery or changes in the market place.
7. The Department of Leisure will make every effort to announce changes in facility rental rates and permits in advance to allow organizations to make pricing changes to their membership and avoid a deficit or loss of club resources.
8. Individual Aurora residents and user groups may appeal to the Department of Leisure Services for a reduction in fees if they can sufficiently demonstrate that the fees charged by the Town are adverse, restricting/impacting participation.
9. The Department of Leisure Services will continue to monitor the benefits of maintaining an informal approach to providing subsidies and financial assistance to low-income Aurora households.
10. Facility and equipment rental rates may be offered at a reduced rate in low priority times (e.g. non-prime time) to encourage greater participation rates and make use of existing City facilities.
11. Department of Leisure Services may waive, reduce fees and alter fees for promotional purposes and to establish fees for experimental services on an as-required basis.
12. The Town of Aurora may impose a surcharge or charge higher rates for use of its municipal facilities and services by non-Aurora residents.
13. The Department of Leisure Services may choose not to permit a recreational facility if it is determined that the amenity is deteriorating because of over use.
14. It is the intent of the Department of Leisure Services to ensure that fees remain competitive with other recreation and culture service providers in the Town of Aurora and adjacent municipalities.
15. The Department of Leisure Services will continue to investigate potential new sources of revenue (e.g. grants, partnerships and new programs) and support appropriate funding efforts of groups and organizations to help offset the costs to the municipality in providing services and operating facilities.

SECTION VI: IMPLEMENTATION

It is the intent that the Department of Leisure Services Recreation Pricing Policy be adopted as a permanent policy and will be monitored on an annual basis. To allow for better resource planning for both the Town of Aurora and the users of its recreation services, the Department of Leisure Services shall strive to maintain a multi-year fee schedule for all its facilities and programs and to gradually phase-in any increases in fees.

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