
2008 BUDGET BRIEFING NOTE

Recreation User Fees & Permits

Issues:

Parks, Forestry & Recreation Division has a structural financial problem in the delivery of recreation programs and permitted facilities across the city. The City of Toronto currently recovers an average of 30% of the cost to deliver recreation programs. Permit and program revenues for users are significantly lower in Toronto than in other municipalities and service providers. The current revenue formula for the Divisions' programs and permits is not sustainable.

In an effort to address this structural financial problem, while still protecting programs for vulnerable populations and children and youth, the 2008 Operating Budget for Parks, Forestry & Recreation has a recommended 3.5% increase over the 2007 approved budget. To achieve the necessary 3.5% increase, the Division recommended significant increases to some recreation program fees and permit fees. The recommended budget gave priority to maintaining existing service levels and free access, given the high value of recreation services to the residents of Toronto.

All user fees in the 2008 recommended budget have been increased 3% to account for a cost of living adjustment (COLA).

Through the Budget Committee, staff were asked to consider a lower user fee increase to the Parks Forestry & Recreation 2008 recommended budget. This note presents the option of a 5% increase (over and above the 3% COLA increase) to the 2008 fee structure for Parks, Forestry & Recreation permits and programs.

Key Messages:

- Council approved COLA increases for fees commencing in 2007.
- The 2008 Operating Budget for Parks, Forestry & Recreation included a 3.5% increase over the 2007 approved budget. It included a proposal to raise additional revenue by increasing recreation fees and some permit fees.
- At the request of Budget Committee, staff were asked to consider lower increases to the recreation user fee and permit fees. The option now presented will result in an increase to recreation user fee and permit fees by 5% to the adjusted 2008 base recommended budget (2007 budget plus 3% COLA).

- In 2008, the proposed fee increases in this option will realize a total of \$2.4 M. This amount includes a 3% cost of living adjustment to fees for \$0.8M and a 5% increase to all recreation programs and permits for a total of \$1.6M.
- This option of a lower increase to recreation user fees and permits results in a much lower investment to address the Divisions' structural financial problem and ability to avoid service level adjustments.
- To address this shortfall in 2008, funds from elsewhere in the City's budget will be needed to make up the revenue shortfall.
- The 2008 recommended operating budget protects free recreation programs available across the city including leisure skating and swimming, diverse drop in programs such as homework clubs, sport development, seniors activities, playground programs, wading pools and splash pads. These free programs comprise 27.1 % of all recreation program hours offered by the City and result in an attendance of over 2.2 million annually.
- Children and youth are placed at a higher priority in the Council-approved PFR permit policy, therefore 94% of permits for sports fields and room rentals are free. As a result, the vast majority of permits issued for resident children and youth are free – and will continue to be free.
- For field and location permits only 29% of all sport fields permits and 34% of ball diamond permits are affected.
- The permit fee increases will mainly impact adults and advanced level competitive sports, with a greater ability to pay and spread increases throughout a large member or team base.
- The proposed increase to permits will still keep Toronto's facilities at a substantially lower rate than those charged in surrounding municipalities or the private sector. For example, one hour of ice typically used for house league hockey will increase \$5.46 per hour, or approximately 36 cents per player for a 15-member team. Currently, house leagues use approximately 46% of the ice time at City arenas.
- Permit fees are substantially lower in City of Toronto facilities, compared to surrounding municipalities and other service providers.
- All recreation program fees will be increasing by the same percentage. Average increases per programs are 36 cents per class or \$3.24 per 9 week session.
- The City also has a Welcome Policy to provide subsidies to low-income families. This Policy requires investment in order to be expanded to provide increased access to more families who need it.
- Seniors will continue to receive a discount of 50% off regular adult rates for programming.
- Programs in the City's 21 Priority Centres will continue to be offered free of charge.
- The increase will NOT affect any programs that are currently offered free of charge.

Background:

PFR Structural Financial Problem and Full Costing Study

- PFR has a structural financial problem in the delivery of recreation services
- Recreation program fees have only increased twice since amalgamation
- The Division faces unrealized revenue pressures.
- Financial constraints prevent PFR from responding to changing demands and has hindered the provision of high quality programs
- In 2006, to better understand the structural financial challenges facing recreation services and to address the Division's structural deficit a Full Cost Study of Recreation Services was undertaken
- The objective of the study was to make transparent the full costs of delivering recreation programs so as to facilitate decision-making on the City's policies, fees and subsidies
- Capital intensive services, arenas and aquatic facilities, are only recovering approximately 26% and 21% respectively of their full costs. The costs vary by geography, size and age of the facility and for aquatics, whether programming is delivered at a TDSB site
- The study reviewed cost recovery rates in large municipalities and found Toronto to be significantly lower. As an example, Toronto recovers approximately 26% for the cost of arenas, whereas other municipalities recover between 68% and 95% of costs. For aquatics, Toronto recovers 21% whereas other municipalities range from 35% to 75% recovery
- Data from the Ontario Municipal Benchmarking Initiative (OMBI) demonstrates that Toronto's costs are competitive relative to other municipalities, and a salary survey of municipalities indicates that the recreation workers salaries are also competitive
- Recommendations on how to better utilize the program delivery, cost differentials, planning and tracking systems were recommended and are being implemented. Those with labour relations implications are being further studied
- Further detail of the Full Costing Study is provided in Appendix 1.

2008 Operating Budget – Protection of existing programs and services

- The proposed 2008 budget protects free recreation programs available across the city including leisure skating and swimming, diverse drop in programs such as homework clubs, sport development, seniors activities, playground programs, wading pools and splash pads
- These free programs comprise 27.1 % of all recreation program hours offered by the City and result in an attendance of over 2.2 million annually
- As well, the 2008 budget protects the City's 21 Priority Centres, located in high-need communities, that offer free recreation services with an annual program attendance of 655,070

- In addition, across the city at all recreation centres a seniors discount is in place that provides a discount of 50% of all adult rates
- The 2008 proposed budget enhances the funding available to Welcome Policy by \$1.45 million bringing the total budget to \$4.75 million so that the Welcome Policy budget appropriately reflects current demand and provides increased program access to eligible participants
- In view of financial constraints and the desire to protect programs and advised by the findings of the Full Costing Study the 2008 budget proposes fee increases.

Rationale for Recommending Increases to Program and Permit Fees

- In a survey which looked at program fees, Toronto rates are significantly lower than other municipalities and service providers such as the YMCA.
- Since amalgamation there has only been one across-the-board COLA change in permit or program fees in 2007.
- In 2008, the proposed fee increases will realize a total of \$2.4 M. Of that total, \$1.4 M will be achieved from recreation program fee increases and \$1 M from increases to some permit fees.
- The Full Costing and Pricing Study found that the City's cost recovery levels are low in comparison to other jurisdictions.

Proposed Permit Fee Increases

- Ice, sports field, pool and location permits will increase \$1 M in 2008. This amount includes a 3% cost of living adjustment to fees for \$0.3M and a 5% increase to permit fees for \$0.7M.
- The Council-approved PFR permit policy places a higher priority on children and youth. As a result, the vast majority of permits issued for resident children and youth are free – and will continue to be free.

Sports fields, ball diamonds, room permits

- 71% of sports fields permits and 66% of ball diamond permits issued are provided free to children and youth. This represents 98,000 hours and 103,000 hours of annual (2007) permitted use respectively. In addition, 26 % of room permits in community centres are issued to children and youth for free. This represents 78,000 hours of permitted use of community centre rooms, lounges, kitchens, etc are provided free of charge for permit fees;
- Therefore the proposed permit fee increases impact only 29% of sport fields permits and 34% of ball diamond permits, largely impacting adults and advanced level competitive sports.

Arena and pool permits

- Toronto recovers 26% of arena costs compared to a range of 68% to 95% in other large municipalities
- Arenas are high cost operations with high demand during a specific period of the day
- The fee structure in place is based on age and competitive level with higher fees for commercial and adults and the lowest fee for resident community
- The existing ice permit policy stipulates the following allocations for ice permits:
 - 60% Community youth
 - 13% Community adult
 - 25% GTHL
 - 1% Junior hockey
 - 1% Commercial – used by businesses and commercial operations.
- Proposed fee increases have been structured to minimize the impact on the majority of permit users i.e. community youth
- For arena permits the proposed increase in rates for different permit categories range from 10% for community youth arena permits to 30% for commercial adult arena permits
- TDSB pool permit fees are higher than comparable City of Toronto locations. As an example, City of Toronto charges \$32.00 per hour to a non-profit resident group serving youth at a typical 25 meter pool, whether it's a City or TDSB facility, whereas TDSB charges \$70 per hour

Proposed Program Fee Changes

- The 2008 proposed operating budget includes a total increase of \$1.4M in Recreation program fees. This amount includes a 3% cost of living adjustment to fees for \$0.5M and a 5% increase to all recreation programs for \$0.9M.
- Average increases per programs are 55 cents per class or \$5.00 per 9 week session.
- The increase will NOT impact any programs that are free
- Changes to Federal Tax Credits which provide \$500 per child tax credit for programs that encourage physical activity. Parents can write off the full amount of recreation programs that are sports related, fitness, dance.

Attachments:

Appendix 1 : Full Costing and Pricing Study

Appendix 2 : 2008 User Fee Revenues (in \$)

Appendix 3 : Average User Fee Increase per Hour (in\$)

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Appendix 1 : Full Costing and Pricing Study

Purpose of the Study:

The Full Costing and Pricing Study was conducted within context of the Corporate Review Framework approved by Council in 2006 under the sponsorship of Deputy City Manager (Cluster A) with the objective to make transparent the full costs of delivering recreation programs so as to facilitate decision making on the city's policies, fees and subsidies. The study developed and tested a full costing model for Parks, Forestry & Recreation (PFR) programs in collaboration with Accounting Services and established 2005 full costs for four flagship activities in PFR: Aquatics, Arenas, Children's Summer Camps and Fitness and Wellness Centres.

Findings:

The full costing study determined the following costs and recovery levels for the four recreation activities examined, namely; aquatics, arenas, children's summer camps and fitness & wellness.

The study found that the city's cost recovery levels are low in comparison to other jurisdictions and are insufficient in recovering PFR's direct and indirect operating costs.

Comparison of Cost Recovery Levels (based on Extrapolated Costs)

	Toronto - PFR	London - PFR	Markham - PFR	Mississauga - PFR	Burlington - PFR	Windsor - PFR
Aquatics	21%	44%	75%	TBD	45% - 55%	35%
Arenas	26%	75%	68%	TBD	80% - 95%	69%
Camps	47%	45%	130%	TBD	30% - 40%	N / A
Fitness Centres	49%	TBD	81%	TBD	N / A	27%
Average	36%	55%	89%	55% - 65%	50% - 60%	44%

1. *Cost Recovery:*

- a. PF&R does not have a Pricing or User Fee Policy. Guidelines are based on historical practices.
- b. Prices and user-fees are not correlated to actual costs incurred
- c. Revenues realized are not sufficient to recover the operating costs for most activities

2. *Facility operations and maintenance:*

- a. PF&R has a mix of facilities built at different dates and community recreation models. Facilities have a state of good repair backlog, and some facility types are more cost efficient to operate.
- b. Facility operations and maintenance functions have not been harmonized after amalgamation:
 - i. Different standards and procedures for house-keeping, repairs & maintenance, outsourcing and procurement between Districts.
 - ii. Facilities Management is performed by Corporate Facilities and Real Estate in west and South and by PFR Tech Services in North and East. Corporate governance review of facilities and facility functions is in progress to harmonize the management model.

3. *Recreation programming:*

- a. All full time and part time workforce are unionized. Wages for Local 79 Recreation Workers are not harmonized since amalgamation resulting in different staff costs. Harmonization is in progress.
- b. Staff focus on providing high level of service.
- c. TDSB pools and city operated arenas are under-utilized.
- d. Service delivery models are based on pre-amalgamation practices.

Recommendations:

1. The Full Costing Study recommends a PFR cost recovery rate between 58% and 71% for the four activities reviewed to recover its operating and support costs to be phased in over a number of years, taking into consideration, access, participation rates and competitive market rates.
2. Establish management process to annually monitor and track improvements in the areas of facility operations; with a view to assess its role, responsibilities, service levels and cost efficiencies:
 - a. Standardization of business practices
 - b. Standardization of service delivery models within similar facilities
 - c. Inventory Management & procurement
 - d. Management of contracted services
3. Establish management processes to annually monitor and track improvements in the areas of recreation programming; with a view to increasing capacity utilization, participation rates and cost recovery levels:
 - a. Aquatics: to address the areas of recreation programming; and TDSB pools with regards to “Value for Money” criteria.

- b. Arenas: to address the area of recreation programming with a focus on improving prime-time capacity utilization.
- c. Children's Summer Camps: to address recreation programming with a focus on standardization of camp operations and managing demand.
- d. Fitness Centres: to assess the city's role in providing fitness services

Appendix 2 : 2008 User Fee Revenues (in \$)

	Estimated 2007 Total Revenue	2008 : 3% Cost of Living	Adjusted 2008 Base	Fee Increase 5%	Total 2008 User Fee Revenues
Registration Fees					
<i>Camps</i>	4,930,010	103,529	5,033,539	184,322	5,217,861
<i>March Break MB Camp</i>	194,982	4,387	199,369	7,262	206,631
<i>Swimming</i>	6,728,094	143,882	6,871,977	247,142	7,119,119
<i>Leadership Aquatics</i>	516,785	11,628	528,413	19,726	548,138
<i>Leadership</i>	28,975	652	29,627	952	30,579
<i>Clubs</i>	97,130	2,185	99,315	3,817	103,133
<i>Arts & Heritage</i>	1,354,429	30,475	1,384,903	51,605	1,436,508
<i>Fitness & Wellness</i>	1,455,091	32,740	1,487,831	58,224	1,546,055
<i>General Interest</i>	190,046	4,276	194,322	7,145	201,466
<i>Older Adults</i>	487,539	10,970	498,509	17,668	516,177
<i>Preschool</i>	1,194,512	26,877	1,221,388	48,696	1,270,084
<i>Skating</i>	684,339	15,398	699,737	26,932	726,669
<i>Ski</i>	1,280,518	28,812	1,309,330	47,436	1,356,767
<i>Sports</i>	1,487,785	33,475	1,521,260	51,016	1,572,277
Registration Fee Total	20,630,235	449,285	21,079,519	771,943	21,851,463
Membership Fees	2,041,929	47,269	2,089,198	71,282	2,160,480
Location Permits	4,237,429	84,092	4,321,522	150,613	4,472,134
Sportfield Permits	1,352,049	40,561	1,392,610	67,602	1,460,213
Pool Rentals	1,164,300	22,447	1,186,746	44,787	1,231,533
Ice Permits					
<i>Commercial</i>	212,019	4,770	216,789	12,613	229,402
<i>Community Adult</i>	1,170,101	22,577	1,192,678	79,831	1,272,509
<i>Competitive Junior</i>	17,078	384	17,463	1,506	18,969
<i>Competitive Youth</i>	1,551,725	31,164	1,582,889	74,865	1,657,754
<i>Community Youth</i>	2,057,653	38,797	2,096,451	115,314	2,211,765
<i>TDCSB (non-prime)</i>	126,078	-	126,078	-	126,078
<i>TDSB</i>	3,302,994	64,754	3,367,747	110,894	3,478,641
<i>Outdoor</i>	648,995	10,852	659,847	48,750	708,597
Ice Permit Fee Total	9,086,643	173,299	9,259,942	443,773	9,703,715
Subtotal Recreation Programming	22,672,164	496,554	23,168,717	843,225	24,011,943
Subtotal Permits	15,840,421	320,399	16,160,820	706,775	16,867,595
Total User Fee	38,512,584	816,953	39,329,537	1,550,000	40,879,538

Note: 2008 Revenues reflect partial year implementation after Council approval.

Appendix 3 : Average User Fee Increase per Hour (in \$)

	2007 Average Price per Hour	3% COLA Average Increase per Hour	5% User Fee Average Increase per Hour	Total Average Increase per Hour
Registration Fees				
<i>Camps</i>	10.83	0.30	0.54	0.84
<i>March Break MB Camp</i>	8.81	0.26	0.44	0.70
<i>Swimming</i>	7.10	0.20	0.35	0.55
<i>Leadership Aquatics</i>	13.15	0.39	0.67	1.06
<i>Leadership</i>	5.57	0.17	0.24	0.41
<i>Clubs</i>	14.02	0.42	0.73	1.15
<i>Arts & Heritage</i>	8.03	0.24	0.41	0.65
<i>Fitness & Wellness</i>	6.96	0.21	0.37	0.58
<i>General Interest</i>	2.97	0.09	0.15	0.24
<i>Older Adults</i>	4.46	0.13	0.22	0.35
<i>Preschool</i>	4.97	0.15	0.27	0.42
<i>Skating</i>	4.27	0.13	0.22	0.35
<i>Ski</i>	22.46	0.67	1.11	1.78
<i>Sports</i>	4.45	0.13	0.20	0.34
Membership Fees	2.27	0.07	0.11	0.17
Location Permits	21.24	0.56	1.01	1.57
Sportfield Permits	23.67	0.71	1.18	1.89
Pool Rentals	77.56	1.99	3.98	5.97
Ice Permits				
<i>Commercial</i>	167.58	2.90	7.67	10.58
<i>Community Adult</i>	142.35	2.29	8.08	10.37
<i>Competitive Junior</i>	146.94	2.22	8.71	10.93
<i>Competitive Youth</i>	101.92	1.92	4.61	6.52
<i>Community Youth</i>	79.94	1.37	4.09	5.46
<i>TDSB</i>	89.35	1.06	1.82	2.88
<i>Outdoor</i>	53.45	0.86	3.84	4.70