



Date: March 8, 2004

TO: Board Members - Parks and Recreation

FROM: General Manager - Parks and Recreation

SUBJECT: ICE ALLOCATION POLICY - FINANCIAL SUSTAINABILITY

RECOMMENDATION

THAT the Board approve the changes to Ice Rink Fees and Charges Schedule:

- 1. Increase the minor sport rate by 15% over a two year period – 10% plus inflationary increase for 2004/2005 and a 5% plus inflationary increase for 2005/2006.*
- 2. Introduce a new children/youth rate at 50% of the adult rate for private youth rentals, sport camps and minor sport ice rentals which are beyond the sport's entitlement as per the Allocation Policy.*
- 3. Eliminate the discounted rates for adult participants; charge user groups the applicable adult rental rate or minor sport rental rate.*
- 4. Roll back by one hour the designation for prime time to start at 5:30 p.m. weeknights and 7:30 a.m. weekends over a three year period starting with a ½ hour roll back in 2004, followed by another ½ hour roll back in 2006.*

(see Appendix A - effective September 1, 2004).

POLICIES

There are three Park Board policies which influence fees and charges schedules – the Fees and Charges Policy, the Economic Access Policy and the Ice Rink Allocation Policy – 2003.

BACKGROUND

In July of 2003, the Park Board received the Ice Allocation Task Force's Report for information. This Report is divided into two sections - ice allocation and financial sustainability. At that time, the Board approved the Task Force's ice allocation recommendations (Ice Allocation Policy - 2003) and the Task Force continued to refine the Report's financial sustainability recommendations.

The Ice Allocation Task Force was established in the fall of 2002 and consists of ice rink stakeholders and staff. The goal for the Ice Allocation Task Force was to update and recommend a comprehensive ice allocation policy for the Park Board's consideration. This policy renewal will enable the Board to achieve the following objectives:

- operate the ice services and facilities in an equitable, cost-effective and fiscally sustainable manner;
- balance local services and needs with those of the City as a whole;
- provide rink users and stakeholders with the opportunity to influence policy development;
- meet current and future demands for both organized and casual participants.

The Task Force committee consists of the following members:

| | |
|---|--|
| Kim Hogan - Killarney Community Association | Sindney Mehlhorn - Womens Hockey |
| Renee Popov - Sunset Figure Skating | Helsa Nothof - Killarney Figure Skating |
| John Chiang - Vancouver Minor Hockey | Barbara Wagner - Kerrisdale Figure Skating |
| Margot Delorme - Kerrisdale Figure Skating | Ian Price - Sunset Rink - Public |
| Kevin Troughton - Kits Speed skating | Emily Trant - Vancouver Ringette |
| Sheila Youngman - Thunderbird Minor Hockey | Rebecca Shaker -Thunderbird Minor Hockey |
| Carole Green - Ringette | Ron Bain - Rink Programmer |
| Debra Graham - Rink Programmer | Jukka Vuorma - Rink Programmer |
| Doug Taylor - Rink Programmer | Stew Jordan - Recreation Supervisor |
| Terry Walton - Recreation Manager | Diane Murphy - Recreation Manager |

The Task Force's financial analysis included a review of financial policies in the 1989 Ice Allocation Policy as well as the current fees and charges schedule for rinks, best financial practices from other cities and identifying and evaluating possible revenue generation options. The financial sustainability topics included establishing rental charges including prime and non prime rates (tiered pricing); defining qualifications for subsidized rental rates; and maximizing use/revenues through marketing.

DISCUSSION

The costs of operating rink services and facilities are partially offset by revenues from rink rentals and admission fees, with the operating loss for rinks incorporated in the annual Park Board operating budget. The Board significantly subsidizes rink operations, especially at the minor sport level.

The current level of subsidization for rinks is defined by the difference between the budgeted revenues and expenditures – a budgeted deficit of \$1,149,700 in 2003. In recent years, the overall operating budget for ice operation has exceeded budgeted deficits primarily due to lower than expected revenues. In 2003, the shortfall in revenue was approximately \$115,000.

The generally downward revenue trend coincides with the addition of new private rinks in the Lower Mainland, which have increased the supply of prime-time ice for adult use. As a result, many of the lucrative late night adult rental groups using Board facilities switched to more

attractive time slots offered at these rinks. This has had a significant negative impact on revenue and consequently on the net operating budget for Park Board rinks, as current revenues are less than they were 8 years ago. The Park Board has twice received rink revenue adjustments from the City but still is not able to generate the budgeted rink revenues with its current fee schedule.

Lower than budgeted revenue has resulted in the Board subsidizing rink operation at a higher than budgeted level. As a result, the Task Force focused on the Board's revenue expectation to determine whether the target of approximately \$ 1,500,000 is appropriate and achievable or whether it should be reduced.

It should be noted that while the Task Force's financial review primarily concentrated on the revenue stream, there is also an expectation that staff will continue to investigate efficiencies and practices which will enable the rinks to operate within their budget allocation.

TASK FORCE'S RECOMMENDATIONS

The analysis of other municipalities' best financial practices as well as the principles behind the Park Board's fees and charges and economic access policies focused the Task Force's recommendations on the qualifications for subsidized ice rental rates, determining financially sustainable rental rates including prime and non prime designations for ice use as well as marketing ice time to adult user groups.

Qualification for Subsidized Ice Rental Rates

Strategies and Recommendations

As a principle, the Task Force recommends that youth groups qualify for subsidized ice fees. The subsidized fees should apply to programs for youth and affiliated programs for those under the age of 19 years (a special rate for Junior B hockey teams). Minor sport groups are permitted to have a small percentage of adult members (up to 10%).

The Task Force recommends the fees for programs which have a mixed aged group be based on the following criteria:

- if a team participates in an adult league or organization, the non subsidized adult rate will be applied (women's hockey team with under aged players participates in an adult league – adult fee will be charged);
- if participation is of a mixed age group (adult participation is greater than 10%), the non subsidized adult rate will be applied to the entitlement hours resulting from the adult membership (e.g., every 14 adult skaters registered will result in the allocation of one hour of ice at the non subsidized rate) and the minor sport rate will be applied to the entitlement hours resulting from the child/youth membership.

The Task Force recommends only discounting adult sport programs based on economic need. All other adult activities should be charged the non subsidized adult rate. It is recommended that if special consideration is to be given to developing sports (such as women's hockey) that it is done through allocation rather than through fee reductions.

Rationale

The Park Board's Fees and Charges Policy supports the subsidizing of youth activities and recommends a fee structure that charges adults, youths, children and seniors in an appropriate ratio of 1, 3/4, 1/2 and 3/5 respectively for recreation services. In addition, all other municipalities discount rental rates for minor sport activities.

According to the Park Board's Economic Access Policy, economic need also serves as the basis for a fee discount – especially for adult activities. However, the current discounting of adult ice programs is not based on economic need but rather on sport development and community association affiliation. Originally, these fees implemented to assist in the development of new sporting activities in Park Board rinks. Other than being sponsored by community association, the activities (women's hockey, speed skating) are similar to those organized by non subsidized adult sport rental groups. Thus, it does not appear to be equitable that adult programming such as women's and men's hockey should be eligible for different rates primarily based on their affiliation with community associations. Adult or mixed age group programming does not qualify for subsidization in other jurisdictions.

Impact

Women's Hockey and speed skating are the primary adult or mixed groups which receive subsidized ice. Youth in speed skating and girls playing hockey in a minor sport program would continue to pay to minor sport rates for ice time. Adults participating in these programs would still receive priority in the allocation of ice but would pay the adult rental rate.

Adults currently paying the mixed age group and adult association sponsored rates will face a substantial increase in ice rental costs. The adult rate for prime time is \$ 215.00 per hour while the mixed age group prime time ice cost is \$ 107.50 per hour (50% of the adult rate) and the association sponsored rate is \$161.00 per hour (75% of the adult rate).

Establishing Financially Sustainable Fees

Strategies and Recommendations

A guiding principle for the Task Force was to develop a fee schedule which is financially sustainable for both the user group and the Park Board – i.e., present a fee schedule which enabled users to participate in ice sports while at the same time enabled the Park Board to achieve its revenue target. The best financial practices review indicated that the only fee category which is significantly lower than that charged in other municipal rinks is the Park Board's youth ice rental rate. Other fees (admission and adult ice rental rates) are within the Lower Mainland's market rates for ice services. In fact, the adult prime time rental rate may have to be adjusted in order to maintain and attract users.

The Task Force recommends that the minor sport rate be increased by 15% and that a new youth rate (50% of adult rate) is established for closed membership programs. This new rate would also be applied to minor sport rentals which are beyond the group's ice entitlement as outlined in the Park Board's Ice Allocation Policy.

While no one wishes to pay more for ice, there was agreement that an increase of 15% could be accommodated without significantly impacting participant registration. However, the Task Force recommends that the proposed fee increase be phased in over a two year period with a 10% increase for the 2004/05 season and a 5% for the 2005/06 season.

Rationale

Rink admission fees follow the Park Board's fee structure that charges adults, youths, children and seniors in an appropriate ratio of 1, 3/4, 1/2 and 3/5 respectively for recreation services (see Appendix B). However, ice rental rates are no longer consistent with this ratio schedule. Although the minor sport rate was originally set at 50% of the adult rate, currently it is approximately at 30% of the adult rate. The change in this percentage can be attributed to various Board decisions to increase the adult rate disproportionately higher than the minor sport rate to help off set higher rink operation costs. Unfortunately over time, many of these adult groups have switched to more attractive time slots offered at private rinks.

2003/04 Season Fee Schedule (per hour includes GST)

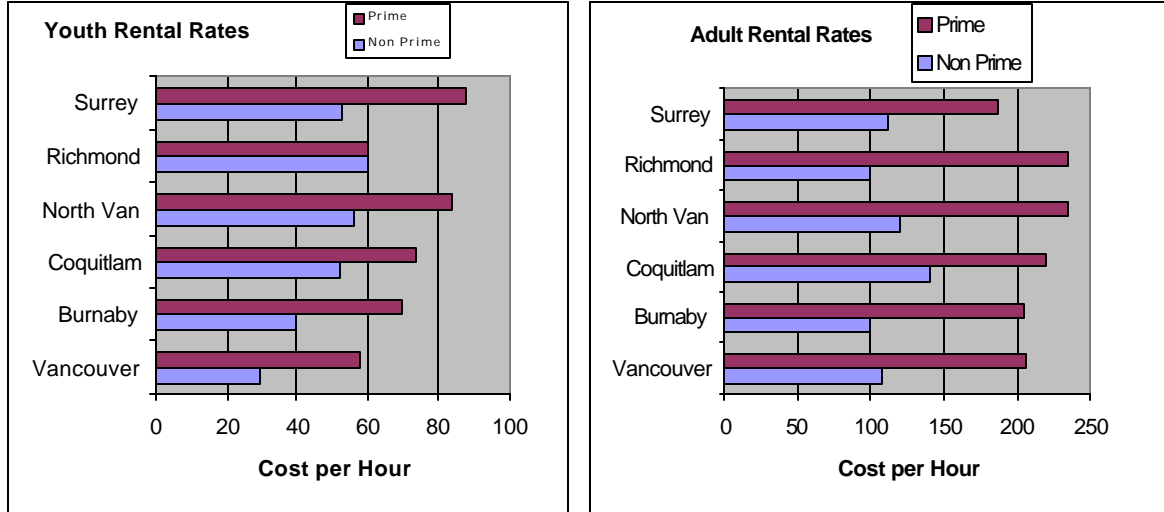
| Category | Prime Rate | Non Prime | % of Adult Rate |
|---|-------------------------|-------------------------|-----------------|
| Minor Sport | \$ 63.00 \$ 60.50 BB | \$ 30.50 \$ 30.25 BB | 29 % |
| Junior B | \$ 91.50 | \$ 65.50 | 43 % |
| Mixed Age Group – Association Sponsored | \$ 107.50 | \$ 64.75 | 50 % |
| Adult – Association Sponsored | \$ 161.00 | \$ 97.50 | 75 % |
| Adult Rental | \$ 215.00 | \$ 112.50 | 100 % |
| School | \$ | \$ 52.00 | 24 % |
| Ave. Operating Cost per Hour | \$ 140.00* | \$ 140.00* | |

BB – Block Booking Rate: includes ice cleans

* Average operating costs for 2003 for Sunset and Kitsilano Rinks.

In terms of operating cost recovery, only the adult prime time and the Association Sponsored adult prime time rate recover more than the \$ 140.00 per hour average operating cost per ice rinks. The youth sport rate only recovers 40% in prime and 20% in non prime of the average per hour operating rink costs. Thus, the Board heavily subsidizes minor sport activities in ice rinks.

A survey of fees and charges from rink facilities indicates that the Board’s ice fees are the lowest among Lower Mainland municipalities for minor sport activities and are comparable with other municipalities’ adult rental rates. The Best Practices Review indicated that higher minor sport fees are financially sustainable as all of these municipalities have successful minor sport programs.



The Task Force also recommends a tiered pricing structure for children/youth activities with programs which are open to the general public receiving a deeper discount rate than those programs with a closed membership (private groups, elite programs, sport camps, etc.). The concept of a tiered youth rate is in place for specialty children/youth programs such as sport camps – ice time rates for these programs is at 50% of the adult rate. The Task Force recommends that this rate should apply to any program with a closed membership (private groups, elite programs) as well as ice time to minor sport groups which is above their ice entitlement as per the Ice Allocation Policy. This pricing structure is in line with the Park Board’s Fees and Charges Policy.

Impact

To determine the impact a fee increase would have on Vancouver’s minor sports, the Task Force focused on participants’ registration fees. The average ice cost for a participant’s registration is calculated by dividing the sport’s ice rental costs by its total membership (see Appendix B). The tables below illustrates that a 15% increase in minor sport rates would add approximately \$21 to a minor hockey registration, \$13 to a figure skating registration.

| 2003 Revenue – Minor Sports | Increase in Rental Rates | Increase in Revenue | Ave. Increased Cost per Hockey Player | Ave. Increased Cost per Figure Skater |
|-----------------------------|--------------------------|---------------------|---------------------------------------|---------------------------------------|
| \$ 489,000 | 10 % | \$ 49,000 | \$ 14 per player | \$ 9 per skater |
| \$ 489,000 | 15 % | \$ 73,000 | \$ 21 per player | \$ 13 per skater |

The proposed minor sport rates for 2004 and 2005 (estimate) are:

| Rates (inc. GST) | 2003 | 2004 Inflation 2.75% Plus 10% | 2005 (estimate) Inflation 2.75% plus 5 % |
|---------------------|----------|-------------------------------------|--|
| Prime | \$ 60.50 | \$ 68.40 | \$ 73.70 |
| Non Prime | \$ 30.25 | \$ 34.20 | \$ 36.85 |

It should be noted that even with a 15% plus inflationary increase over two years, the Park Board will continue to be among the lowest rates for minor sport use in the Lower Mainland.

A second children/youth rate for closed membership/sport camps will not have a significant impact as most groups are sport camps and they are currently charged 50% of the adult rate. Purchasing ice beyond their entitlement is an option and not a requirement for a minor sport program, thus it is recommended that the higher rate be applied for this ice time.

Prime and Non Prime Time Fee Designations

Strategies and Recommendations

The Task Force recommends that the designation for prime time be rolled back one hour to start at 5:30 p.m. weeknights and 7:30 a.m. weekends. This should be phased in over a three year period starting with a ½ hour roll back in 2004, followed by another ½ hour roll back in 2006.

Rationale

All jurisdictions charged different rates to encourage use during low usage periods. For youth activities, Vancouver has the latest start times for both weekday evenings (6:30 p.m.) and weekends (8:30 a.m.) for prime time. Other jurisdictions apply prime time fees starting between 3:00 pm and 6:00 pm weekdays and between 5:00 am and 8:00 am on weekends.

For adult use, Richmond and Surrey have implemented tiered pricing schedules which adjust fees based on time of day as well as time of year. Richmond fee schedule is adjusted hourly while Surrey differentiates between seasons. Both schedules are designed to encourage use during non prime periods.

Impact

Minor Sport groups are the users of these weekday afternoon and weekend early morning time periods. Based on 2003/04 usage, rolling back prime time by ½ hour will result in fee increase of between \$2 and \$5 per participant registration (see Appendix B).

Marketing of Ice Services

Strategies and Recommendations

The Task Force recommends that the Board develop a marketing strategy for adult rink usage. This strategy would include centralizing rink bookings, web based booking procedures and tiered pricing.

Rationale

The Board's current decentralized booking system is neither effective nor efficient. All other jurisdictions have a centralized ice booking system. Centralized booking systems have resulted in improving customer service and more efficient and effective use of ice – resulting in increased revenues.

Impact

Tiered pricing may result in some adult groups receiving a price reduction. However, the overall goal would be to increase use thus revenue from adult user groups. A target of 5% increase in adult use would generate an additional \$18,000 per year.

FINANCIAL IMPLICATIONS TO THE BOARD

As the table illustrates, implementing the Task Force's recommendations would enable the Board to make-up its revenue shortfall of approximately \$ 115,000 per year.

| Proposed Change to Fee Schedule | Financial Impact to Park Board |
|--|--|
| Increase Minor Sport Ice Rental Rates by 15% over two years – 10% in 2004/05 and 5% in 2005/06. | A 15% fee increase potentially could generate \$73,000 per year. |
| Introduce a new youth rate for closed private rentals, sport camp activities and minor sport ice time beyond the sport's entitlement. Establish rate at 50% of the adult rate. | New fee – revenue increase depends on demand. |
| Eliminate the discounted rates for mixed and adult programming – replace with applicable minor sport or adult rate. | Potentially could generate approximately \$7,500 per year |
| Roll back prime time fee designation to 5:30 pm weeknights and 7:30 am weekends over a three year period – ½ hour roll back in 2004/05 and ½ hour in 2006/07 seasons. | A ½ roll back in the designation of prime time potential could generate \$11,000 per year. |
| Implement marketing program for adult rentals – centralized booking system, tiered pricing, etc. | If adult rentals increase by 5%, revenue would increase by \$18,000 per year. |

It is important to recognize that the Task Force is presenting these recommendations as a package. The Task Force believes that a more consistent application of the Park Board's financial policies would ensure a fair fee schedule. In addition, the Task Force felt that phasing in the fee increases and changes in prime time designations was preferable to a one time application.

The Board may wish to annually monitor and evaluate the impact the ice rental fee increases have on both the user groups and the Park Board's rink revenue. Any changes to the rink fee schedule after 2004 will be included in the Board's annual approval of fees and charges.

STAKEHOLDERS CONSULTATION

A rink stakeholders' consultation meeting was held on Tuesday, February 10th, 2004, at Riley Park Community Centre to review the Task Force's financial recommendations. Twenty five participants attended the meeting which included representatives from minor sport groups, community centre associations, task force members and staff.

While no one wanted to pay more for ice services, there appeared to be general support for the Task Force's recommended fees and charges schedule and implementation plan; especially for the rationale behind the recommendations. Organizers of minor sport groups at the meeting did not believe that these changes would significantly impact their programs. Concerns expressed at the meeting included the duplication and price competition between learn to skate programs offered by community associations, the Park Board and figure skating clubs. It was noted that the Task Force believes that these programs should complement one another and it was suggested that the issues should be forwarded to the Board's Allocation Committee for further resolution.

SUMMARY

The analysis indicates that if the Board adopts the Ice Allocation Task Force financial practices and recommendations as outlined in Appendix A, the revenue target for rink operations of \$1,500,000 is both realistic and achievable. These recommendations are consistent with the Board's Fees and Charges and Economic Access Policies and are in line with current financial practices in the Lower Mainland. The Task Force believes that the proposed fee structure is financially sustainable for both the user groups and the Park Board. If approved by the Board, the fee schedule would be effective September 1, 2004.

Prepared by:

Queen Elizabeth and Stanley Districts
Board of Parks & Recreation
Vancouver, BC