



STAFF REPORT TO COMMITTEE

DATE OF REPORT April 29, 2022
MEETING TYPE & DATE Committee of the Whole of May 11, 2022
FROM: General Manager
Community Services Department
SUBJECT: Regional Recreation – Financial Implications of Facility Usage Model
FILE: 8160-20 Reg Rec Funding

PURPOSE/INTRODUCTION

The purpose of this report is to present the financial implications of a usage-based model for nine regionally significant recreation facilities.

RECOMMENDED RESOLUTION

That it be recommended to the Board on May 11, 2022, that a new service establishment bylaw be prepared for a function that encompasses facility operation, maintenance and condition-based renewal costs based on usage of the following nine regionally significant recreation facilities as part of the Regional Recreation initiative:

1. Cowichan Aquatic Centre;
2. Cowichan Community Centre;
3. Cowichan Lake Sports Arena;
4. Cowichan Performing Arts Centre;
5. Cowichan Sportsplex;
6. Frank Jameson Community Centre;
7. Fuller Lake Arena;
8. Kerry Park Recreation Centre; and
9. Shawnigan Lake Community Centre.

BACKGROUND

Regional recreation facility funding has been an issue for the Cowichan region for decades, and the current initiative has spanned terms of the Board. Background for this report is an opportunity to provide many of the milestones with the current project.

The Cowichan Aquatic Centre was constructed in 2008. The Municipality of North Cowichan (MNC) and City of Duncan (COD), prior to construction of the Cowichan Aquatic Centre, sought other jurisdictions to contribute tax dollars to the facility. MNC and COD stated at the time that for areas where there was no tax support, residents would be subject to a higher admission fee. Cowichan Tribes was the only jurisdiction to contribute funding.

MNC and COD exempted Electoral Areas G, H and the Town of Ladysmith (TOL) from the higher admission fees, because of their existing contributions to the Frank Jameson Community Centre in Ladysmith. Residents of all other electoral areas, and the Town of Lake Cowichan, were subject to “two-tiered fees” to use the Cowichan Aquatic Centre.

Over the next few years, each jurisdiction, either individually or as part of a group, negotiated with MNC and COD on a contribution to the Cowichan Aquatic Centre to remove the two-tiered fees. Some areas’ contribution was publicly approved and some were directed through another CVRD function.

Electoral Area E, Cowichan Station / Sahtlam / Glenora, negotiated with MNC and COD to have an initial contribution and public consent process, to eliminate the two-tiered fee, and to have a second public consent process to raise the contribution to appropriate levels.

An Alternate Approval Process (AAP) was conducted in Electoral Area E in 2015 to raise the contribution to the Cowichan Aquatic Centre. The AAP failed, and the results were reported to the CVRD Board in the fall of 2015.

On October 14, 2015, the Board directed that a report regarding Regional Recreation be prepared for the Board's consideration. MNC and COD chose not to re-impose two-tiered fees until that review had been concluded.

Through 2016, the Board approved the establishment of a Regional Recreation Select Committee (RRSC) and Terms of Reference. The RRSC divided the work into four phases.

Through 2017, the first two phases of the work were completed. The Phase 1 report on regional recreation planning consisted of public engagement and surveys to determine resident recreation preferences (Attachment A). The Phase 2 report consisted of a facility use analysis (Attachment B). Both reports were presented to committee and Board in January 2018.

Through April, 2018, the RRSC was unable to find consensus on a recommended funding model. On April 27, 2018 the contracted consultant presented the Phase 3 report, with a recommendation on a funding model (Attachment C). The recommended model was not adopted and the RRSC was disbanded.

At the May 23, 2018 Regional Services Committee meeting, staff informed the Board that staff could achieve the Phase 4 report, a Regional Recreation Strategic Plan, and return to the Phase 3 funding model consideration at a later date. Staff moved forward with the Phase 4 report at that time and on July 10, 2019, the Board approved the Regional Recreation Strategic Plan, the first Regional Recreation Strategic Plan since 1985 (Attachment D).

In August 2019, the Board reconsidered funding models and the subsequent resolutions were carried:

Board Meeting	Resolution
August 28, 2019	<p>That Regional Recreation Facility Funding Option A (Funding Apportioned on the Basis of Use) as presented in Attachment B of the August 14, 2019 staff report to the Special Community Services Committee, be approved in principle; and</p> <p>That staff report back to the Community Services Committee on options for governance and a phased implementation of the Option A funding model.</p>
January 8, 2020	<p>That a model based on the CVRD Community Services Committee providing governance for:</p> <ul style="list-style-type: none"> a. Kerry Park Recreation Centre b. Shawnigan Lake Community Centre c. Cowichan Community Centre d. Cowichan Performing Arts Centre e. Cowichan Aquatic Centre f. Cowichan Sportsplex (with Sportsplex Board) g. Cowichan Lake Sports Arena h. Fuller Lake Arena i. Frank Jameson Community Centre

	<p>be approved, in principle;</p> <p>That the usage-based funding model for the nine regionally significant recreation facilities be phased in over a three-year period;</p> <p>That staff report to the Community Services Committee on a public communications strategy and public approval process options; and</p> <p>That staff report to the Community Services Committee on the feasibility and potential structures of establishing sub-regional, facility-specific Citizen Recreation Advisory Committees.</p> <p><i>(It should be noted that the report on Citizen Recreation Advisory Committee is the one piece of incomplete work, and has not yet been presented to the Board).</i></p>
<p>October 28, 2020</p>	<p>That a referendum to seek elector approval to implement usage-based funding of the nine regionally significant recreation facilities be held in conjunction with local government elections in October 2022.</p> <p>That \$50,669 of the Regional Feasibility reserve fund be used toward Regional Recreation communication and public approval costs.</p> <p>That staff prepare a supplemental request to include \$20,000 in the 2021 and 2022 budgets under function 100 (General Government) toward the cost of the referendum in 2022.</p> <p>That staff prepare a supplemental request to include \$25,000 in the 2021 and 2022 budgets under function 100 (General Government) for a facility use analysis in 2021 / 2022.</p>
<p>October 13, 2021</p>	<p>That data collection for the upcoming Regional Recreation Facility Use Analysis be designed to report on Area G Gulf Island users separately from the remainder of Saltair.</p>

At the April 27, 2022 Committee of the Whole meeting, RC Strategies presented both the facility use analysis of the nine regionally significant recreation facilities in the 2021/2022 study period, and the averaging of that data with the 2017 facility use analysis (Attachment E).

ANALYSIS

A summary of the proportion of all uses from each jurisdiction averaged over the past two analyses (2017 and 2021/2022), represented as Figure 30 of the RC Strategies report that was presented to the April 27, 2022 Committee of the Whole, can be found on page 25 of Attachment E.

In a separate exercise, CVRD staff in collaboration with the Chief Financial Officers (CFOs) of the member municipalities have compiled budgets and taxpayer subsidy (requisition and contribution data) of the nine regionally significant recreation facilities. This will provide an example of the breakdown of costs and how each electoral area and member municipality would be affected under a usage-based model. Staff consensus was to do this by using budgets that reflect the most accurate information for typical provision of recreation services; therefore, they chose to use the 2019 budget as this was the most recent year that was unaffected by the COVID-19 pandemic.

These requisition contribution amounts were then combined with the facility use data and presented in Attachment F. This is a snapshot of what the financial implications to jurisdictions

would have been if the costs of the nine regionally significant recreation facilities were apportioned by usage in 2019.

It should be noted that many factors can affect requisition, including the use of short-term borrowing, reserve funds, etc. The table in Attachment F is presented with the actual requisition figures applied in 2019, not the maximum allowable requisition.

Long term debt costs are also not included, following the principle that jurisdictions who authorized debt for regionally significant recreation infrastructure need to assume it.

Apportionment by usage is based on the fourteen jurisdictions indicated (four municipalities, and nine Electoral Areas, with Electoral Area G split into Saltair and Gulf Islands). First Nations and School District funding are considered contributions to individual facilities, and are not included in the regional recreation funding model.

OTHER PRINCIPLES AND ASSUMPTIONS TO NOTE

A number of principles and clarifications are further expanded below.

1. Definition of Included Costs

Excerpt from the presentation “Funding Regionally Significant Recreation Facilities Based on Residency of Use” (presented to the Board on November 13, 2019 and included as Attachment G)

Current Capital

Operating a recreation facility also involves current capital. Maintaining the functionality of a facility includes operating costs, but also includes long term lifecycle maintenance funding, replacement of small capital items and emergency capital outlays (e.g., if a roof starts to leak or piece of major equipment breaks down and needs to be replaced, the operator has little choice but to incur a capital cost that is required to keep the building operational). So operating budgets and short-term capital budgets are two sides of the same coin and both are required to maintain a current level of service.

Funding Now vs. Funding in Future

Committing to fund the operation of a specific regionally significant recreation amenity should not obligate a jurisdiction to fund future changes to the function of the facility or any future long-term debt. Any new debentures will require new authorization. Any new facilities added to a funding model will require separate authorization to develop that facility before it gets added to the regional funding formula. Any significant additions to an existing facility funded under this new formula will require a separate decision to be included in it.

Staff are using the phrase “facility operation, maintenance and condition-based renewal costs” to reflect this language for current capital inclusions in the regional recreation facility funding formula.

2. The Continuation of Existing Functions

To allow for phasing, existing functions would need to continue. This would have the added bonus of being available for any future expansion of services that may not include all jurisdictions for construction / debt costs.

The continuation of existing functions complicates messaging. Messaging and the eventual referendum question will be based on the maximum requisition levels for existing services not changing, and be totalled into one new function. The service establishment bylaw for this new regional recreation function would have language to address this discrepancy.

The alternative would be to reconsider the phasing-in of a usage-based funding model. This is addressed in a separate report along with the consideration of use of hospital or general assessment.

3. Reserve Funds

It is not permitted to return existing reserve funds to the jurisdictions who have previously contributed, unless existing functions are dissolved; the exception would be municipal contributions to their own facilities.

The Board would need to consider if dissolving existing functions for the purpose of returning reserve funds would supersede the ability to phase-in the new function or keep existing functions for expansion of services. Again, the phasing-in of this new service function will be addressed in a separate report.

Existing reserve funds are tied to a facility, not a function. It would be possible to utilize existing reserve funds in existing functions for facilities in the new consolidated function, using funds from previous contributors only.

4. Maximum Requisition

The new function will have a maximum total requisition based on the current maximum requisitions of the nine facilities. In the CVRD, maximum requisitions have been established by bylaw, applying to five of the nine facilities. Three facilities are municipally owned and one is owned by a society, all without an established maximum requisition. The CFOs of municipalities and the Cowichan Sportsplex have determined a current maximum requisition for those facilities, for the purpose of inclusion in the new service establishment bylaw.

This follows the principle of zero-sum result, where the new funding model would shift who pays into the funding for regionally significant facilities. There is no intent in this to change the overall level of funding, which is a separate decision.

Attachment H reflects changes to the amounts listed in Attachment F, and instead shows how much each jurisdiction would pay based on the total maximum requisition for each facility, rather than actual requisition.

In the past, local governments have contributed to the Cowichan Sportsplex on a case-by-case basis for capital projects in addition to operating contributions. The Cowichan Sportsplex has provided an estimate of \$930,000 in requisition for a lighting upgrade, a storage facility, and resurfacing of the lacrosse box, track, and field hockey facilities, over the next five years. These contributions will be future decisions. Including an average amount of \$186,000 annually to the maximum requisition would allow the Board to consider these expenditures in the future.

5. Cowichan Lake Recreation Requisition

On December 11, 2019, the Community Services Committee directed that only the Cowichan Lake Sports Arena be included in the new facility use analysis and regional recreation funding model. This meant that for the purposes of this initiative, Function 405 – Cowichan Lake Recreation, needed to separate the Cowichan Lake Sports Arena from the community halls. Those costs have been analyzed and 66% of the requisition of Cowichan Lake Recreation has been included in the regional recreation funding model presented in Attachments F and H.

Function 405 would need to continue to support the community halls. Based on the 2019 budget information, 34% of the requisition of \$2,617,835 was required for community hall operating expenses and debt.

For the individual jurisdictions, this would have meant:

Electoral Area F – \$338,679

Electoral Area I – \$342,541

Town of Lake Cowichan – \$208,843

It should be further noted that \$467,784 of the long-term principal and interest payments paid in 2019 will end in 2030, reducing that requirement for the three jurisdictions in Function 405.

6. Electoral Area G Saltair / Gulf Islands

Although the 2021 / 2022 facility use analysis identified different facility usage statistics for Saltair and the Gulf Islands, staff have the current understanding that it is not legislatively possible to have different assessment amounts for different parts of an electoral area within the same service.

Staff also have the current understanding that it is possible to have an area excluded from a service by defining a boundary in the electoral area.

In effect, that creates two options for electoral area G:

1. An equal assessment of costs to all residents in area G (Saltair and the Gulf Islands); or
2. All the costs associated with area G's (Saltair and the Gulf Islands) usage of facilities assessed to Saltair.

Option 1 has the implication of inequity based on facility use analysis.

Option 2 in this section also has implications. One implication is that this could no longer be considered a regional service. With recreation facilities still regional in nature, we could term the new function "regionally significant recreation facilities funding", but could no longer refer to the function as "regional recreation".

The other implication is additional administration, both within the CVRD and with the province in materials to consider the new function. In addition to mapping, identification of individual addresses with their accompanying assessment and classification data, would need to be included.

Staff would proceed with the inclusion of option 1 in this section unless the Board provides other direction.

7. Timeline

Best practice is for provincial review, both before and after three readings, each taking up to six weeks, equalling twelve weeks total. The review is an iterative process with the province, and may involve adjustments to the bylaw as advised.

Timelines associated with the facility use analysis, the financial collection of information and the feasibility of using general assessment are impacting Legislative Services' submission to the province. Following anticipated direction from the Board on May 11, 2022, a draft bylaw will be submitted to the province as soon as possible. Pending the timing of feedback from the province, staff would target the June 8, 2022 Board meeting for consideration of three readings of the service establishment bylaw.

The deadline for adopting the referendum question related to the service establishment bylaw is June 28, 2022.

8. Establishment of the New Function

The new bylaw should identify a dispute resolution process, including that a review be held after five years. Staff will be proposing a clause that includes no service reviews within the first five years.

9. Future Facility Use Analyses

The new Regional Recreation service function will be affected by facility use analyses. As noted in Attachment G, every five years the residency of uses of the regionally significant recreation facilities should be collected. A rolling average of three data collection cycles will be adopted to smooth out peaks and valleys. A facility use analysis would be anticipated for 2027, and the average of three data sets would then be used (2017, 2021/2022 and 2027).

FINANCIAL CONSIDERATIONS

Financial considerations are presented through the Analysis section of this report.

COMMUNICATION CONSIDERATIONS

The facility usage percentages, financial impacts and referendum information will be included in a regional communications campaign through the summer and early fall of 2022.

STRATEGIC/BUSINESS PLAN CONSIDERATIONS

Under the strategic objective to demonstrate strong fiscal stewardship, is the action item to develop and advance an equitable Regional Recreation funding model.

It should be noted that the implications of not advancing an equitable recreation facility funding model could include:

- Consideration of two-tiered admission fees
- Negotiated agreements
- Multiple future public approval processes

GENERAL MANAGER COMMENTS

Not Applicable

Referred to (upon completion):

- Communications & Engagement
- Community Services (*Cowichan Community Centre, Cowichan Lake Recreation, South Cowichan Recreation, Arts & Culture, Emergency Management, Facilities & Transit*)
- Corporate Services (*Finance, Human Resources, Legislative Services, Information Technology, Procurement*)
- Engineering Services (*Environmental Services, Recycling & Waste Management, Water Management*)
- Land Use Services (*Community Planning, Planning – Strategic Initiatives, Development Services, Inspection & Enforcement, Economic Development, Parks & Trails*)

Prepared by:

Reviewed by:



John Elzinga
General Manager

Not Applicable
Not Applicable

Not Applicable
Not Applicable

Reviewed for form and content and approved for submission to the Committee:

Resolution:

Financial Considerations:

Corporate Officer

Chief Financial Officer

ATTACHMENTS:

- Attachment A – Regional Recreation – Phase 1 Report from January 2018
- Attachment B – Regional Recreation – Phase 2 Report from January 2018
- Attachment C – Regional Recreation – Phase 3 Report from April 2018
- Attachment D – Regional Recreation – Phase 4 Report from June 2019
- Attachment E – Regional Recreation – Facility Use Analysis Report from April 2022
- Attachment F – Regional Recreation – Usage-Based Funding on Actual Requisition 2019
- Attachment G – Regional Recreation – Report on Usage-Based funding from November 2019
- Attachment H – Regional Recreation – Usage-Based Funding on Maximum Requisition 2022