

City of Saint John

RECREATION SUBSIDY POLICY REVIEW

July 2024



SAINT JOHN



Photo Source: Saint John Sea Dogs



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INTRODUCTION

The City of Saint John invests in a variety of services for residents and visitors. These services are either paid for entirely, or in part, through property taxes and in some cases user fees are implemented to help recover some of the costs of providing some services.

The benefits of participating in recreation are evidence-based and well documented including higher rates of completion of secondary and post-secondary education, lower rates of youth criminality, higher income potential and healthier outcomes for all residents.

One of the services that includes setting and collecting user fees in the City's provision of recreation services. The City recognizes that participation in recreation activities builds and sustains strong individuals and families as well as supports community health and social cohesion. While much of the costs to provide recreation and sport opportunities are funded through the tax base (including administrative, operational and infrastructure costs), for some activities user fees are charged. In some cases, fees are charged directly to the users of facilities or programs (drop-in fees, monthly pass fees, program registration fees) and in some cases rental fees are charged for groups and users to gain exclusive access to certain facilities and spaces.

A **user fee** is the amount of money that is paid by a person or organization for the provision of a service or product.

The City currently has a Recreation Subsidization Policy (2019) that guides current fee setting for arenas, fields, and courts; as well as a number of municipal strategic planning documents that discuss the City's philosophical stances on subsidizing (or investing in) services. The City is also influenced by other service providers in the City or broader region as it relates to fees setting for some opportunities.

Recreation Subsidization Policy Background

Sport and Recreation programming is an important priority for the City of Saint John, which contributes to the City's quality-of-life offerings and broader value-proposition. Each year recreation facility rates are brought to council for approval. Prior to December 2019, the hourly recreation facility rates were set by implementing a basic 2%-3% increase. There was not a structured formula to advise on rates. When comparing arena rates to field rates the cost recovery, per hour, based on total operating costs was not consistent between user group categories (Youth, Senior and Adult) or recreation facilities. To bring standardization and sustainability to recreation facility rates the Recreation Subsidization Policy was introduced in December of 2019. Common Council approved the Recreation Subsidization Policies on December 16, 2019, which brought a new vision for cost recovery in the usage of City-owned recreational facilities. The Policy highlights the goal of achieving a new balance between individual user fees and taxpayer investment in the delivery of recreational services, while also reflecting appropriate cost-recovery percentages for various user categories.

The implementation of the policy was incremental and reached full implementation in 2022. While the arena rates at full implementation are comparable with other local facilities, the youth rates, for fields are out of scope for the environment. Due to the categorization of fields, (A level and B Level), and the consideration that youth sport use predominantly B level fields, which are scaled to be at lower cost, the hourly rate that would need to be charged on the B Level fields for youth are not comparable in nature to other local facilities and are unrealistically high for not-for-profit groups to absorb.

In the Policy, rates are calculated by taking the overall operational cost, incorporating usage data and setting the hourly rates using the stated cost recovery percentages within the policy per user category. Arenas and tennis court facility rates are calculated using the total operation cost and field and arena floor rates are calculated by using 50% of the total operation costs.

While the immediate implications of the policy resulted in an increase in fees for user groups, the longer-term objective was to offer reliable, consistent, and high-quality recreational facilities to citizens and user groups.

Purpose and Process

The purpose of this review is to take a critical look at the current practices for fee setting in a recreation and sport context, recommending changes to the broader approach to fee setting or the specific fees charged for certain activities, and providing justification for said recommendations.

This document outlines the findings of this review and any relevant recommendations. These recommendations are based upon a review of the City’s existing strategic planning documentation, an extensive review of how other municipalities of similar size or characteristic approach fees setting, and a comparison of what others actually charge for access to certain spaces.

The following graphic outlines the steps that took place to develop the Review.

Figure 1: Process



Report Overview

Figure 2:



2.0

SETTING OF MUNICIPAL USER FEES

Recreation and sport opportunities offer many benefits to communities and residents, including addressing growing social and health concerns such as physical inactivity, increasing rates of chronic health problems, and social isolation. All residents, even those who do not participate, benefit from the provision of these important services and thus they create public good and warrant the investment of taxes to support them.



RECREATION & SPORT

INDIVIDUAL BENEFITS

Confidence

Youth who spend time in greenspaces are exposed to neighbours from all walks of life and have an enhanced sense of empowerment, empathy, social skills, and confidence.

Stress Management/ Mental Health

Increase self-reported happiness and lower levels of sadness and loneliness both in the short term and long term.

Sports

Playing sport reduces psychological distress by

34% ↓

1 - 3 times a week

47% ↓

4+ times a week

Dementia

Regular exercise can reduce the risk of developing dementia by

30% ↓

Overall Physical Health

Improves sleep, brain and heart health, cancer prevention, weight control, bone strength, balance, and coordination.

Longevity

Living in areas that have green spaces, areas to take walks, and tree lined streets positively influence the longevity of seniors.



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RECREATION & SPORT COMMUNITY BENEFITS

Economic Development

In 2019 the recreation tourism industry generated

16.9 billion

in revenue
and created

112,975 jobs

Environmental Impacts

Encouraging active transportation, and maintaining green spaces and green coverage reduces GHG emission

Property Values

7% increase

Parks and outdoor recreation areas have a positive effect on nearby residential property values. Leading to proportionately higher property tax revenues for local governments

Canadians spend approximately

6%

of their annual expenses on recreation.

Trees

\$3.20

in benefits per **\$1** invested; urban trees improve air quality, and storage and sequestration of carbon provides shading and cooling.

Reduce Crime Rates

35% reduction

in criminality; sports based intervention programs reduce youth criminality and probability of reoffending

Volunteerism

209 volunteer hrs

averaged annually by formal volunteers 15 years and older in Culture and Recreation. Recreation volunteering provides residents with new skills, new connections, and sense of fulfillment.

Sense of Community

77%

of Canadians agree or strongly agree that arts and heritage experiences help them feel part of their local community

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Defining Need vs. Demand

There are fundamental differences in the context in which the public sector and the private sector operate and approach service delivery – that is true of all service areas including recreation and culture. The public sector is increasingly expected to run itself as effectively and efficiently as possible, and in a customer-centric manner, importing key private sector concepts. However, it would be an oversimplification to assume that private sector practices could be successfully copied and implemented in the public sector. That is to say that a private, for-profit operator of a sport field or ice arena will have different decision-making processes, priorities, costs and capacities than the City of Saint John in managing their portfolio of sport fields or arenas across the city. It is important to note that public services exist because of a policy direction; they provide benefit to the public; and they are typically redistributive.

In the private sector demand is defined as the amount of a good or service that a customer is willing to purchase at a particular price. Demand in the private sector is a function of price. In the public sector demand arises when citizens look to the government to fulfill a need. Typically, in the public sector demand is counted in units of users and not always connected to the needed resources (cost) to provide the service. Unlike the private sector, the price side of the demand definition is sometimes ignored by the public sector, and **demand is defined by simply asking people what they want and then giving them what they want because they say they want it.** Responding to demand essentially focuses on direct benefits to users of a service and the value they place on those benefits.

Need can be considered a subset of demand. For there to be a need, there must first be some demand for a service. **For the public sector, need is defined as the capacity to benefit from a service.** For a recreation and sport service or good to be a need, there must be some form of indirect benefit to all citizens, from which they cannot escape. This is a classic definition of a “public good”; indirect benefit to all citizens which is not separable. In the context of recreation and sport this relates to the improvement of participants and non-participants health, well-being and quality of life (e.g., sport participation reduces the rate of youth criminality therefore reducing local levels of crime and reducing tax burdens from justice system / policing costs).

What is “public good”?

A “public good” can be defined as a product or service that provides indirect benefit to all citizens from which they cannot escape. Through this lens, a rationale is created to collect and utilize tax support for municipal services that benefit everyone in community, even if not everybody uses the service directly.

The **private sector is demand driven.** If there is enough demand for something, the private sector will respond and provide services consistent with the demand. Whereas in the **public sector planning is typically driven by responding to need**, not demand. In an ideal approach the public sector would become involved in the delivery of a service only when there is benefit to the entire community.

There is growing understanding that demand is not an appropriate basis for making decisions about publicly supported recreation and sport services. When considering what is an appropriate level of services for residents and allocating public resources to deliver that service or good, the service or good considered must result in providing a public good and therefore the provision of services should primarily focus on responding to need. The focus should be less on the direct benefits to users of services (i.e., community sport groups) and more on the indirect benefits from the service or good to all citizens. The most fundamental question for the public sector to ask when considering investment of resources to provide a service should be *“does this service make this community a better place to live for all citizens regardless of whether they use the service or not?”*.

Public investments in recreation and sport services are justified on the basis that there is some form of collective good (i.e., the public good) that can be measured as indirect benefit to all, rather than simply responding to what citizens want to do in their recreation time (which the private sector will respond to).

Background to the Setting of Municipal Fees

User fees fund some or all of the costs of a range of municipal services in Canada. These include water supply, sewers, solid waste collection and disposal, public recreation and culture, public transit, and parking, as well as some social services. Fees range from fixed charges that are unrelated to consumption levels, to charges that vary directly with quantity consumed, to a mix of fixed and variable charges. The pricing structure may cover all or only a portion of all production and delivery costs.

Decisions about pricing structures and the proportion of costs recovered for (or the level of investment in) a service from fees depends on considerations such as local tradition, the type of service, the preferences of residents, and the willingness (or lack thereof) of local decision makers to invest. The pandemic and the associated economic disruptions have created a perfect storm for municipal fiscal decision-making with uncertainty as to when fee revenue levels are likely to return to pre-pandemic levels. Furthermore, the pandemic has further heightened public awareness of differences in community income levels, health outcomes, and inequalities that exist in our current system. In response many municipalities are actively considering how to center equity in their decision making related to fees and exploring potential new revenue sources to ensure municipal services and supports are able to continue meeting the needs of residents.

When considering where fees are most appropriate, they are typically ideal for funding services for which specific beneficiaries can be identified, non-users can be excluded, and the quantity of service consumed can be measured, such as public transit. User fees may be less appropriate in the funding of services with certain “public goods” characteristics, such as open access recreation and sport opportunities like using a trail or playground or interpreting nature. Inefficiently set user fees can lead to wasted municipal resources, unfair distribution of municipal resources, and barriers to accessing municipal services.

Designing fees is relatively straightforward in theory, yet often difficult to implement. A major strength of a properly structured user fee is its potential for allocating resources to their most efficient use. There is often political and sometimes administrative reluctance to introduce fees for services that were previously not funded by these fees or to alter user-fee structures that have been in place for a long time. Opposition often arises because they are considered to be regressive (that is, they absorb a higher percentage of the incomes of lower-income individuals or households compared with those of higher-income individuals or households). In some cases, they are resisted because municipal cost data are not collected and recorded in a way that permits an estimation of costs that would allow for an appropriate setting of fees.



Due to these limitations, the majority of municipal recreation departments in New Brunswick and more broadly across Canada set user fees based on what others facility operators (municipalities) charge for services, sometimes constrained to a local market area (i.e. averages within the Saint John region) or related to other similar sized municipalities (i.e. averages of municipalities within the province of populations between 60,000 and 90,000). Although this approach does enable some cost recovery, it has some significant flaws.

This “comparative” approach assumes that what others are charging is appropriate from a public service provision perspective. If none of the comparators are using a more philosophical approach to fee setting, the rationale for where fees are set is most likely attached to what the market has been willing to pay in the past (tradition) with no baseline justification for it other than “it is what it is”.

The comparative approach also ignores cost structure, and the inherent differences in the cost structures of different operators. For example if a private ice arena has to set rental rates at \$500 per hour to recover all costs and make a modest profit, and the only facilities a municipality has to compare to are profit, then the municipality would have to charge the same.

Finally, the comparative approach can lead to heightened competition between operators and overall reduced ability to capture a markets willingness to pay. Predatory pricing strategies can deteriorate revenues and lead to ongoing reductions in user fees whereas the opposite (ongoing fee increases) would be more appropriate.

User fees are charges assigned to individuals or groups that use some municipal services. Examples include membership dues, drop-in fees, and rental charges.

Municipalities often have a variety of fee categories and subcategories based on types of users and types of uses. For example, fees charged for memberships and drop-ins typically vary depending on the age of the participant while fees charged for renting a space typically vary depending on the type of group (e.g. non-profit, for-profit), the type of use (public event, exclusive use), the age of its participants (e.g. youth, adult), and the time of day (e.g. prime, non-prime). Therefore, the balance between tax support and user fees could be different depending on the type of user and use.

An important consideration to note is that there are different ways to increase user fee revenues. The obvious one is to raise prices; however, if prices are raised too much then participation and utilization levels may decline. Therefore, the second factor is participation and utilization levels, which, if they can be increased, then revenues would increase without raising price.

Allocation priorities for rental spaces is the third factor. If we charge more for adult rentals and give them priority in the allocation process, then more revenue will be generated. For a public sector provider, the focus should be on increasing participation and utilization first and raising fees second. Prioritizing allocation to groups that typically pay higher fees (e.g. commercial) is not a recommended strategy for a public sector provider because it places more importance on generating revenue than it does on enhancing residents’ quality of life.

Benefits Based Approach to Setting Fees

The Benefits Based Approach to setting fees and charges sets the underlying philosophy that “those who benefit from a good or service should pay in proportion to the benefit they receive.” Therefore, if the activity in question only benefits the user, then the user should pay a fee for the service. Alternatively, if the activity in question also benefits the community, then justification exists to subsidize the service to some extent with tax support.

The benefits continuum (Figure 3), as displayed herein, provides structure for categorizing recreation and sport services by the amount of community benefit they provide. Those who benefit from a good or service should pay in proportion to the benefit they receive. If a user only benefits, then the user should pay 100% of the costs. If the community receives most of the benefits, then the service can receive investment to the extent justified.

Figure 3: Benefits Continuum



Before fees are determined, each service should be discussed and appropriately placed somewhere along the benefits continuum. To ensure a consistent approach among the different types of activities and services, investment levels can be assigned to types of users and uses as described below.

Types of Uses

Fees often vary for a given service depending on the type of user (e.g., youth, adult) or use (e.g., public, commercial); the variations should be justified and consistent across different types of services.

There are three modes of facility/space use that will be considered when assigning thresholds of cost recovery and subsidy. Within the rental mode (which is the function that is the focus on this review), there are a series of subcategories, and each may have its own subsidy level.

- **Drop-in:** A use characterized by a person or group of persons deciding on a use-by-use basis to attend a public session where the public or a subset of the public is welcome to attend.
- **Program:** Uses where an individual or group of individuals pre-commits to a series of uses through a registration process. The program is typically characterized by having a leader, or instructor who teaches or leads. Sometimes they are called courses. These programs are offered to the public and seek to meet the needs of the community.
- **Rental:** A group rents a space through a rental contract and then controls the uses and the users of that space during the period of rental. There are several subcategories of rental uses and each may have its own recovery rate.

Types of Activities

- **Regular Activity:** Usual or normal regular use occurring at fixed intervals and confirmed in a seasonal contract (e.g., sport group renting space for league games and practices).
- **Tournament:** Community events such as sporting, recreation and cultural tournaments and competitions.
- **Fundraising Event:** A fundraising event for the benefit of a local non-profit community organization.
- **Private Event:** A private event can be considered one that is by invitation only (e.g., wedding reception) or a paid admission event (e.g., trade show).

Types of Participants

There are two categories of users: individuals and user groups. Each subcategory of user may justify a different level of subsidy because servicing each category might result in a different ratio of public benefit to private benefit.

Typical Municipal Approaches to Fee Setting for Recreation and Sport

A review of policies, procedures and practices of municipal comparators was completed to facilitate this analysis. These policy frameworks were reviewed to assess their underlying philosophy, any guiding principles, factors that are considered, and finally the process used to set fees and charges. The results are summarized below.


Roughly half of Municipalities included in this review have a policy, procedure, bylaw that address user fees. Most often they were not specific to recreation and culture, but rather applied to all goods and services offered by the municipality to residents and businesses.

The most common themes found in statements regarding the underlying philosophy and guiding principles for establishing user fees include:

- Local government is responsible for providing good and services that benefit everyone at no or low cost.
- City facilities and spaces are paid for by a combination of tax support and users fees.
- There should be fairness in the sharing of cost of operating/providing city programs, services, spaces.
- There should be equitable access to programs, services, and spaces by all community residents.
- Municipalities should strive to remove financial barriers to access or participation.
- Municipalities should be transparent in how fees and charges are determined.

Key factors municipalities consider when setting fees and changes include:

- General guidance from any corporate policies, procedures, or directives.
- Unit cost of providing the goods and services (e.g., staffing, equipment, corporate overhead, capital expenditures).
- Cost recovery ratio/subsidy.
- Estimation of the value of the good or service to consumer.
- Estimation of the value of the societal benefit.
- Market conditions (e.g., competitors, market trends, cost of living, etc.).
- Sustainability (e.g., financial, environmental, social).
- Results of engagement with the public and other interested groups.



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PROPOSED DIRECTION TO GUIDE THE CREATION OF A NEW RECREATION INVESTMENT POLICY

The proposed direction seeks to center equity and public benefit in the development of a Recreation Investment Policy that will guide the setting fees for recreation and sports opportunities in Saint John, while ensuring the sustainability of these services. The proposed direction is advocating for a shift away from traditional or established approaches to setting fees for services, and working towards a system that sets fees based upon determining investment levels or setting the appropriate ratio of tax support and user fees that connects those who benefit from an opportunity with those who pay.

To begin the process of guiding the creation of a new policy for the City of Saint John, the following high-level recommendations and operational direction have been developed for discussion.

It is important to note that the new Recreation Investment Policy would provide philosophical direction to guide the setting the fees for services in a consistent manner across providers and should be seen as a first phase in establishing a new approach to setting fees for recreation and sport opportunities in Saint John. The second phase of the process will focus on the operationalization of the Recreation Investment Policy, during which procedures and process will be co-created between the City of Saint John and community partners.

Figure 4: Process

Municipal
Comparator
Research
and Analysis

City Policy
and
Procedure
Review

Recreation
and Sport
Sector
Research

Fee Setting
Methodology
and Theory

Saint John Recreation Subsidy Policy Review



Recommendation 1: Adopt a Benefits Based Philosophy to Guide the Setting of Fees for Recreation and Sport

The City of Saint John should work with community partners to approach the setting of fees in a manner that will align with the guiding principles set out for the process and meet the following objectives:

- Ensure that user fees are not a significant barrier to participation.
- Offer additional subsidies to community members facing financial barriers.
- Enhance the public understanding of the costs required to provide community services.
- Set user fees based on costs and collective benefits rather than by tradition and benchmarking.
- Ensure there is a balance between user fees and tax subsidies equitably among types of users and uses.
- Prioritize increasing participation and utilization where possible over raising user fees when striving for increased revenues.
- Work with community groups to implement fee changes appropriately.
- Ensure the adequate provision of tax support to ensure that service standards for residents are maintained.

To achieve this desired state and align with the guiding principles contained within, it is recommended that a Benefits Based Approach to setting fees be adopted. As noted above this approach is rooted in the philosophical understanding that “those who benefit from a good or service should pay in proportion to the benefit they receive”.

According to the above rationale, user fee targets can be set along the benefits continuum as illustrated in the following graphic.

Figure 5: Benefits Continuum



This approach should be confirmed within the City of Saint John Recreation Investment Policy, which will define the objective of the connecting public benefit with the setting the fees for services and provide direction on how to achieve that objective in a transparent manner with clear expectations for the City and community partners.

Considerations When Operationalizing the Policy

It is important to focus the foundation for setting a fee on the benefits incurred by specific users and less about ability to pay of those users. Ability to pay comes later in the process. For the setting of a fee, the discussion should not start with ability (or lack thereof) to pay; instead, the discussion should be primarily about how much investment might be justified (i.e. how much public good will be delivered by this service) and secondarily about how much investment is needed to deliver public benefit. Once the fee is set, attention can be given to assurance of a safety net to catch all who can't afford the fee that has been determined.



Recommendation 2: Revise Current Categories of Uses and Users to Align With Benefits Based Approach

Determining the appropriate mix of user and use categories is foundational to establishing a benefits-based approach to setting fees. Creating the right mix of categories based on unique community context will support administration efficiencies and justifiable decision making on setting fees for services. Creating the right mix of categories should also make it easier for residents to navigate the recreation, parks and sport system, and be able to access the services and opportunities they wish participate in.

There are two categories of users of community services that we must consider: individuals and user groups. Each subcategory of user may justify a different level of investment because servicing each category might result in a different ratio of public benefit to private benefit.

A review of current practices within the City of Saint John determined the following are the current most common categories:

- Youth (Schools / Tournaments)
- Adults
- Older Adult / Senior
- For Profit

The categories of users listed below are slightly adjusted from the current list of users. It is recommended that this new list be considered because it aligns with sector leading practice and the categories align with agreement on levels of public benefit and desired investment levels.

Revised Group User Categories

- **Youth Not-for-Profit Organization:** A not-for-profit sport and recreation group dedicated to primarily serving youth (those 18 years of age and younger).
- **Adult Not-for-Profit Organization:** A not-for-profit sport and recreation group that offers activities
- **Casual (One Off) Renter:** Any local person, group or company that is booking a private event, does not have a regular/recurring booking, or not open to the general public to join.
- **For-Profit Organization:** A group, individual, organization who is engaged in for-profit business regardless of residency.

Considerations When Operationalizing the Policy

Historically, discounted fees for seniors were rooted in concerns about ability to pay. In many cases now, seniors have as much disposable income as working aged adults. Also, our residents are living longer and living active lives for longer periods of time. However, their use of health and other community services increase significantly with age. Therefore, reconsideration of seniors' fees is indicated. In some pilot projects, (e.g. aquatics drop ins) consider free access and rental of spaces for those over the age of 80 (where contributing to overall health and wellbeing and reducing feelings of isolation are a high priority public benefit).

This may be considered in future implementation and / or structuring of related fees and charges for City of Saint John spaces.



Recommendation 3: Calculating Unit Costs

Before fee structures can be determined, and levels of investment set. Unit costing must first be determined.

Calculate the costing for each space / amenity included in this policy.

Calculating Unit Costs

Unit costs are the expenses required to provide a given service. For example, the cost to provide an hour of arena ice or the cost to provide a drop-in swim. The unit cost for an hourly ice arena rental would be calculated by dividing the total annual expenses required to operate ice arenas by the total number of hours they are used in a year.

The following steps are required to calculate unit costs.

- 1) Determine which recreation space(s) unit costs need to be calculated for.
- 2) Gather all annual operating expenses relating to each of the space(s).
- 3) If a space is part of a larger recreation facility, gather costs for the whole facility and then assign and apportion annual expense figures to the specific space (**assumptions may have to be made**).
- 4) Collect utilization data for the space(s) (how many visits or hours was the space used for?).
- 5) Where gaps in utilization data exist, consider the number of operation hours to develop informed utilization assumptions (e.g., for aquatics, fitness centres, etc.).
- 6) Divide annual expense figures for each amenity by the utilization figures such as hours used to determine unit costs.

See Appendix C for unit costing workbook.

Considerations When Operationalizing the Policy

Unit costing is a complex and involved process for administration. Given the complexity, it is recommended that unit costing be determined for arenas, fields and courts every three years.

However it is recommended that greater focus be given to determining the true cost of operating and maintaining fields and diamonds. This will be critical to ensure the proper fee to set for field and diamond rentals. Unit costing for these spaces should be a priority in the first phase of implementation.



Recommendation 4: Set Investment Levels to Inform Setting of Fee Structures

Before fee structures can be determined, level of investment must first be assigned based on where a specific type of use or user falls on the benefits continuum. The investment level percentage indicates the proportion of a user fee that will cover the determined cost of each service or rental.

The following guidelines should be considered when categorizing programs, services and rentals based on type of opportunity provided, target population and level of community benefit:

- Programs and rentals with the highest level of community benefit will have the highest level of investment.
- Programs and rentals that have the greatest level of individual or group benefit will have a lower rate of investment.
- Pricing of programs and rentals will take into account market rates and the impact on demand which may override investment level considerations.

To work towards this strategic approach for setting fees there are several key questions that should be considered to guide the process:

- Does the service deserve tax subsidy / public investment?
- How much does it cost to provide each service?
- For each service, are multiple price points justified?
- Which user categories warrant higher investments?

The table below indicates the desired investment level for user groups by activity. The rates were identified based on industry best practice and consulting team experience. Categories of user groups are listed along the left-side column and the types of uses are shown across the top row.

Table 1: Rental Investment Rates

User Group	Regular Activity	Tournament	Fundraising Event	Private Event
Youth Non-Profit Organization	60%	80%	30%	0%
Adult Non-Profit Organization	30%	60%	30%	0%
Casual Renter	0%	0%	0%	0%
For Profit Organization	0%	0%	0%	0%



Considerations When Operationalizing the Policy

It is important to distinguish between non-profit and for-profit user groups and activities consistently when a group seeks to rent a City supported space. A consistent and common definitions would make these categories of user groups more transparent and consistent.

For example, you may consider the following from Service New Brunswick:

A “Not-for-Profit” organization is a group which is organized for the purpose of social, religious, charitable, educational, athletic, literary, political or other such activities. Although there are many different kinds of “Not-For-Profit” organizations they all have one thing in common. The people involved in the “Not-For-Profit” organization cannot use it to make personal financial gain. “Not-For-Profit” organizations can be formal (incorporated) or informal (unincorporated).

Recommendation 5: Allow for Practical Adjustments

Further adjustments to fee structures can be made, if necessary, for practical reasons. While this allows flexibility in the process, it is not meant to circumvent the integrity of it; there must be justification for any adjustment at this point. For example, non-prime rates

could be reduced to encourage use during under-utilized times of the day; or if a fee is low, perhaps the fee might be waived due to the higher administrative costs of collecting fees.



Considerations When Operationalizing the Policy

Fees should be set and approved by Council for a three year period, during year three Administration will bring forward the new of the cycle proposed fee structure for next three years for approval.

Recommendation 6: Review of Fee Assistance / Safety Net Strategies

Safety net strategies will be required to ensure that all residents can access public recreation services; especially those who face financial barriers. The safety net strategies may include any or all of the following elements which represent industry leading practices:

- Working with local **community sport organizations that rent space from the City to ensure they each have policies for including potential participants that have an interest and/or ability to participate but no financial means to do so.** For example, for a sports group to have subsidized access to a public space to run its league, it may be required to show how it waves a membership fee for families in financial hardship. The overall provision of recreation services is a collaborative effort with all stakeholders such as community groups and non-profit organizations contributing to the end goal of universal access. Encouraging all stakeholders to provide their own subsidy initiatives can help ensure that a variety of people access the activities they enjoy even if cost is a barrier to them.
- Another way of **reducing participation fees through community groups is by supporting groups with grant opportunities.** This line of thinking allows the City to invest in local organizations and initiatives that support participation in recreational opportunities. This funding could potentially have an overall greater benefit because of the organization's ability to match through sponsorships, donations, and other grants.
- Adding **more free opportunities for basic services** such as skating and field activities then measuring the impact of those sessions to ensure they result in increased access by those who cannot afford full fees rather than displacement by those who are already paying for them. If utilization increases, it is important to understand whether the increase is mostly due to current users coming more often or completely new users gaining some access. More emphasis should be placed on attracting new users than increasing use by existing users.
- Developing a **specific program to assist and support adults and seniors** for whom their financial situation is a barrier to participation. This could include free access to facilities during under-utilized hours such as early afternoon on weekdays.
- Work with **schools to increase student access** which is often a significant "equalizer" when it comes to ability to pay. If school transportation costs are charged to parents, then this might not be practical, but some initiatives might still warrant consideration such as swimming lessons and other critical life skills development. The City might consider working with the school authorities to ensure it has ways of encouraging students who can't afford the transportation costs for school use.
- Increase the number of **free community events** and free drop-in opportunities which are also often seen as barrier-free services, bringing together all segments of a community.
- Work with the **business community to pursue sponsorships** that directly correlate to free or reduced cost services and opportunities (see Recommendation 7)..

Recommendation 7: Explore Sponsorship Opportunities

To assist in balancing the fiscal operating realities of City recreation facilities and spaces, it is recommended that the proposed Saint John Sport Facility Advertisement and Sponsorship Program. This is viewed as an opportunity to build partnerships within the community and strengthen relationships. It is also an opportunity for the City to highlight their commitment to providing quality recreation spaces and facilities.

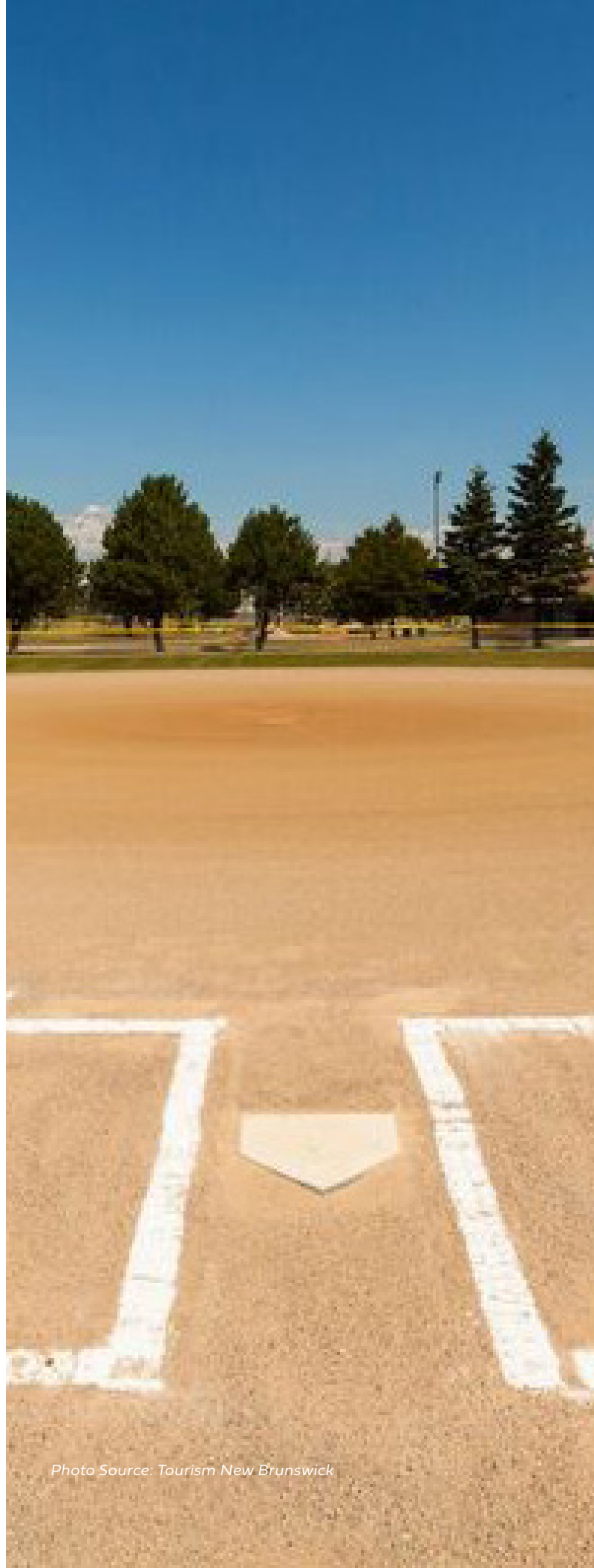


Photo Source: Tourism New Brunswick

Implementation Direction

To support the implementation of these recommendation, the following strategic actions have been identified and should be incorporated into future work planning.

Strategic Actions	2024	2025	2026	2027 / 2028
Present the Benefits Based Approach to Council to ensure alignment with strategic direction and endorsement in the adoption of approach.	✓			
Complete a community engagement program to ensure understanding and support for the setting and adjusting of fees rooted in the philosophy of a benefits-based approach	✓	✓		
Complete unit costing for arenas, fields, diamonds, and courts.	✓			✓
Establish a consistent categorization for rentals across the City and community service providers and place along the benefits continuum.		✓		
As directed by Recommendation #4 define level of investment for user categories and rental categories.	✓	✓		
Work with community service providers to calculate preliminary proposed fees for community services programs and rentals, make practical adjustments as needed and directed by Recommendation #5	✓	✓		
Revise Recreation Investment Policy to reflect the shift from a cost recovery methodology to the benefits-based approach, with redefined user categories and investment levels.	✓	✓		
Review fee subsidy programs to ensure they are still relevant and applicable.		✓	✓	
Present the recommended fee changes to Administration and Council to ensure alignment and adoption of approach.		✓		
Begin a phased approach to adjust current fees according to the direction set by the benefits-based philosophy, working with public and community groups to ensure understanding and affordability.		✓	✓	
Evaluate the fee philosophy and underpinning assumptions (unit costings) on a 3 year basis.				✓

A

APPENDIX A: RECREATION SUBSIDIZATION POLICY BACKGROUND



Photo Source: Tourism New Brunswick

The following table provides a summary of Council reports related to the implementation of the Recreation Subsidization Policy.

Report title/date	Summary
<p>Report to the Saint John Common Council titled 'Sustainability Initiative: Recreation Subsidization Policies'</p> <p>Report date: December 02, 2019.</p> <p>Meeting date: December 04, 2019.</p>	<p>Report provides background on the Parks & Recreation Service Area for Saint John, investment models for the Service, and outlines a recommended Policy for providing Recreation Subsidization.</p>
<p>Report to the Saint John Common Council titled 'Summer 2020 Sports Field, Arena Floor, and Tennis Rates'</p> <p>Report date: Feb 20, 2020.</p> <p>Meeting date: February 24, 2020.</p>	<p>Report outlines modified cost recovery percentages for sports fields. City staff provide advice on how to implement the Recreation Subsidization Policies endorsed by Common Council in December 2019. Staff recommended Subsidized hourly rates for both residents and non-residents for the duration of the 2020 summer season.</p>
<p>Report to the Saint John Common Council titled 'Arena Ice Rental Rates, Flash Sales, and Allocation Policy.'</p> <p>Report date: July 28, 2020.</p> <p>Meeting date: August 04, 2020.</p>	<p>Recommending:</p> <ul style="list-style-type: none"> • Approval of the hourly ice rental rates at the three City-operated arenas starting in October 2020. 40% of policy implementation was achieved in these rates. • Endorsement of ice cancellation deadline to 4 weeks. • Endorse the implementation of 'Flash Ice Sales' after initial seasonal arena booking requests have been addressed.
<p>Report to the Saint John Common Council titled 'Sports Field, Arena Floor, and Tennis Rates – 2021'</p> <p>Report date: Jan 25, 2021.</p> <p>Meeting date: February 08, 2021.</p>	<p>Recommending approval of the 2021 sports field, arena floor, and tennis rates which have been lowered to 60% of policy implementation rather than the originally planned 70% implementation.</p>
<p>Report to the Saint John Common Council titled 'Arena Ice Rental Rates and Ice Allocation Policy 2021-2022'</p> <p>Report date: July 02, 2021.</p> <p>Meeting date: July 12, 2021.</p>	<p>Recommending approval of the 2021-2022 arena ice rental rates at full implementation of the Recreation Subsidization Policy.</p>

Report title/date	Summary
<p>Report to the Saint John Common Council titled '2022 Field, Arena Floor and Tennis Rates'</p> <p>Report date: February 28, 2022.</p> <p>Meeting date: March 07, 2022.</p>	<p>Recommending:</p> <ul style="list-style-type: none"> • Approval of the 2022 sports field, arena floor, and tennis rates. • Direction for staff to return to Common Council in 2023 with a recommendation for the full implementation of the Recreation Subsidization Policies and the corresponding sports field, arena floor, and tennis rates objectives.
<p>Report to the Saint John Common Council titled 'Arena Ice Rental Rates for 2022-2023 Season'</p> <p>Report date: July 06, 2022.</p> <p>Meeting date: July 11, 2022.</p>	<p>Recommending a freezing of ice rates from the 2020-2021 season and carry forward to the 2022-2023 season. Doing so allows respite from financial challenges posed by COVID-19 and allows staff to reevaluate the Recreation Subsidization Policy.</p>
<p>Report to the Saint John Common Council titled '2023 Field, Arena Floor and Tennis Court Rates'</p> <p>Report date: February 22, 2023.</p> <p>Meeting date: February 27, 2023.</p>	<p>Recommending a 3% increase in for the 2023 Field, Arena Floor and Tennis Court rates to allow time for a complete review of the Recreation Subsidization Policy.</p>
<p>Report to the Saint John Common Council titled '2023 -2024 Arena Ice Rates'</p> <p>Report date: July 20, 2022.</p> <p>Meeting date: July 24, 2023.</p>	<p>Recommending a 3% rate increase for the 2023-2024 Arena ice season, consistent with the approved 3% rate increase for the 2023 Field, Arena Floor and Tennis Court rates.</p> <p>Staff are reviewing proposals from consulting firms to undertake the review of the Recreation Subsidization Policy.</p>

B

APPENDIX B: POLICY REVIEW



Photo Source: Special Olympics New Brunswick

City of Saint John Policy and Planning Review

Policy and planning documents were reviewed that are relevant to recreation fee setting. The table below does not present an exhaustive review of documents that may be important for the City of Saint John to consider, but rather, summarizes and highlights those most relevant to recreation fees and charges.

Table 2: City of Saint John policies relating fees, charges, and recreation:

Policy or Plan	Purpose	Relevance
Saint John Parks and Open Space Master Plan (2014) (PLAYSJ)	To guide current and future delivery and provision of recreation and leisure programs, facilities, and services and municipal decision making over the next 10-15 years.	<p>The plan outlines a series of goals relating to parks and recreation in the City of Saint John. Some of these goals have implications for fees such as the goal to provide:</p> <p><i>Quality, accessible recreation and leisure facilities maintained at a high standard and used to their maximum potential.</i></p> <p>Both maintenance and utilization of facilities are affected by fees.</p> <ul style="list-style-type: none"> • The cost to access facilities impacts how accessible they are to community members. • Revenue generated through recreation facility fees and charges impacts funds that are available to maintain/upgrade these facilities.
City of Saint John Operating Budget Policy (2018)	The purpose of this policy is to outline the financial principles governing the City's operating budget.	The policy outlines core principles that guide the City's approach to financial decision such as strategic alignment, innovation, and sustainability. These principles should be considered for the Recreation Subsidization Policy.
City of Saint John Grant Policy (2023)	To provide direction for the offering of City grants.	Outlines a set of criteria relating to grants and grant recipients. These criteria may need to be referenced in the Recreation Subsidization Policy.
City of Saint John Municipal Plan (2011) (PLANSJ)	The Municipal Plan sets out the community's long-term vision and Council's policies to guide future land use and development within the City of Saint John.	The plan outlines future land use goals, some of which relate to the provision of recreation amenities to support liveable neighbourhoods. Not directly related to fees and charges but related to the provision of recreation services and amenities.

Policy or Plan	Purpose	Relevance
City of Saint John 10 Year Financial Plan (2023-2032)	The plan provides a comprehensive financial assessment of the City's challenges and opportunities. It includes a suite of best practice financial policies and long-term financial targets for the City of Saint John.	<p>The plan consists of goals, objectives, and actions. One of which is to add an additional 5% of parks and recreation budgets.</p> <p>The plan outlines financial targets relating to debt management, the operating budget and expenditure.</p> <p>The plan also outlines financial principles which may be useful to incorporate into the Recreation Subsidization Policy. These include:</p> <ul style="list-style-type: none"> • Sustainability • Flexibility • Reduced vulnerability • Accountability
City of Saint John 10 Year Strategic Plan (2023-2032)	The plan establishes the overarching strategic direction that guide all other operational planning for the City.	<p>The plan includes a section dedicated to recreation, arts, and culture.</p> <p>Specific objectives relating to parks and recreation include:</p> <ul style="list-style-type: none"> • Develop a plan to improve the programming and funding of community centres. • Develop and implement an Arena Strategy. • Implement five new or enhanced recreational programs and services. <p>These objectives are important to consider in the review of the Recreation Subsidization Policy.</p>

Key themes within City of Saint John policies:

- Setting the direction for the future of recreation services and amenities within the City of Saint John.
- Goals for future financial investment in recreation.
- Goals to provide high quality recreation services and amenities to the residents of Saint John.
- Policies and principles that guide financial decision making for Saint John.

C

APPENDIX C: UNIT COSTING DIRECTION



Photo Source: Country94

Suggested Approach to Unit Costing

This is how the consultants would typically suggest a client should pursue the unit costing. However, each client's Finance Department may wish to augment or adjust the process or have a different approach.

- 1) First clarify a list of recreation amenity categories under which to calculate unit costs. For example, this could include all categories of service, or, could include only a few major ones initially to get things started. Similar spaces that would likely be charged the same as others, should be lumped together into a single category. However, if there are two classes of services in a category, they should be separated. For example, if there are class A ball diamonds and class B ball diamonds, they should likely be separated. A list could look something like the following:
 - a. Arenas (ice in)
 - b. Arenas (dry floor uses)
 - c. Large, clear span halls, gyms and multipurpose rooms
 - d. Medium sized multipurpose rooms
 - e. Small multipurpose rooms
 - f. Indoor sport courts (e.g. squash, racquetball)
 - g. Class A Rectangular Sports Fields
 - h. Class B Rectangular Sports Fields
 - i. Ball Diamonds
 - j. Tennis courts
 - k. Splash pads
- 2) Under each of these headings list the spaces that will be included. The final list of categories should include all things for which the City may wish to charge a user fee.
- 3) Pick an appropriate year and pull all annual operating expenses relating to all of those categories and separate into all clearly direct costs that align fully with one of the above categories (e.g. pool chemicals in a pool budget that are used only for indoor pools), and all other expenses which will have to be apportioned to those categories (or not, see below)
- 4) Assign all the direct expenses to the related spaces.
- 5) Determine which of the additional costs you wish to include in the unit costing. For example, some clients want to get a "full" cost of providing the service so they post, on various different bases, all other overhead and admin costs and all common costs back to each of the amenities. Other clients decide that senior management does other things than provide services and so those costs shouldn't be apportioned back to the service categories.
- 6) For the indirect costs and common costs, take each and decide on which basis to apportion to all categories. For example, Department Marketing costs might be divided on the basis of the proportion of overall costs we have so far. If the arenas have 10% of the total of direct costs, then 10% of marketing might be apportioned to the arena costs. If a complex has a control desk, the costs of staffing that desk might be apportioned to each of the spaces in the complex. Ask questions such as ...Can utility and staff costs in the arena be separated into "ice in" and "dry floor" as arena costs will vary significantly by these two seasons. Each of the indirect costs might be apportioned on a different basis.
- 7) Check to see if there are costs from other departments that need to be added. For example, is facility insurance included in the Department budget already, or is that a cost incurred in another Department's budget? If another department handles utilities or maintenance or internet service or security costs, or other support services, treat those as either direct costs to be added directly to each service category or apportioned as the indirect costs in step six above.

- 8) To finalize the total costing, decide if you wish to include some form of capital cost to get a "more complete" picture of what it really costs to deliver a service. For example, some clients have an amount for each category of service that is transferred to a reserve or to a capital budget that needs to be included. Others, add a percentage (e.g. 2%) of current estimate of replacement cost, on the assumption the facility will last 50 years) to the operating costs.
- 9) The result of the first eight steps should be a complete and defensible total cost to provide each category of service.
- 10) Next, determine if you need to vary those costs by mode of operation. For example, if a pool is used for all modes (drop in swims, swim programs and pool rentals) if the cost per hour to operate each of those modes varies significantly, you may wish to strip out some of the costs associated with each to get a net cost, then divide the total of what is left into the proportion of time for each of those modes of operation (e.g. if 10% is rental use, 40% is program use and 50% is drop in use, divide the total net operation into those three portions). Then add back in the marginal costs for each of those modes. So, if you stripped out swim lesson instructor budget initially, you can add it back into the program segment only so that it doesn't impact the cost of the other two modes.
- 11) Finally, collect utilization data. How many hours is each of the facilities operated, open and available for use, or, more appropriately, how many hours are actually used?
- 12) Once you have a clear picture of the total cost over a typical recent year (first ten steps) you divide that by the total hours of use to get a unit cost per hour of each facility under each mode of use.
- 13) Once you have the facility cost per hour, you can calculate the cost of programs (ie. how much facility space/hours is required as a cost base and what needs to be added to get the full cost of a program), drop in (e.g. average number of swimmers during a public swim each hour), and rental costs per hour.





Photo Source: Destination Canada

