

## **BUDGET COMMITTEE – FEBRUARY 9, 2009**

### **RECREATION AND CULTURE USER FEE AND PRICING POLICY**

#### **Recommendation**

The Commissioner of Community Services and the Director of Recreation and Culture, in consultation with the Director of Budgeting and Financial Planning, recommend:

1. That the status report on the Recreation and Culture User Fee and Pricing Policy (Attachment 1) and Three Year Fee Schedule, implemented on September 6, 2006 and ending on September 7, 2009, and the Municipal Benchmarking Analysis (Attachment 2), be received;
2. That the Recreation and Culture Department continue to adhere to the Recreation and Culture User Fee and Pricing Policy with the following amendment to Policy Goal #5:

“The Recreation and Culture Department shall strive to recover 95% of its direct operating costs (i.e. costs associated with department staffing, administration, program equipment and supplies) by September 2012 (three years) from the collection of user fees, while ensuring Vaughan residents are provided with affordable access to recreation and cultural services. In order to meet this objective, fee increases will need to include any anticipated annual cost increases anticipated by the City of Vaughan.”;

3. That effective September 2009 an inflation rate, established February 1<sup>st</sup> of each year and determined by the increase in direct recreation costs for program delivery be applied to the fee schedule; and,
4. That staff continue to investigate new sources of potential revenue and work towards mitigating expenses through continuous improvement measures to ensure annual increases are contained.

#### **Economic Impact**

There is no direct impact as a result of this item. The draft 2009 operating budget submitted by the Recreation and Culture Department includes the third year rates as approved in the Three Year Fee Schedule along with a 2.8% inflationary increase and reflects a 2.2% overall increase in expenses.

Overall, the 2009 draft operating budget submitted includes a 3.5% increase in revenue from \$14,655,235 to \$15,166,815 with an overall 12.8% decrease to the net departmental budget from \$1,256,055 to \$1,095,635. The 2009 draft operating budget results in a 93.26% recovery rate.

**In order to achieve 95% cost recovery, the overriding assumption is that participation rates and all other variables, including new initiatives, remain equal moving forward.**

#### **Communications Plan**

Council's decision on recreation and culture user fees will be communicated as required through such mediums as the City of Vaughan web site, Recreation and Culture seasonal guides, flyers posters and other notices used to promote programs and services.

## Purpose

The purpose of this report is to provide Council with the status of the Recreation and Culture User Fee and Pricing Policy and Three Year Fee Schedule implemented on September 6, 2006 and ending on September 7, 2009, to receive approval to make amendments to the Recreation and Culture User Fee and Pricing Policy to reflect a departmental goal to strive towards 95% cost recovery of its department operating costs, and to receive approval to utilize an internal department inflation rate to mitigate the increases in recreation and culture expenses. The overriding assumption on the aforementioned is that participation rates and all other variables remain equal moving forward.

## Background

As part of the 2006 Budget deliberations, City of Vaughan Council approved the following:

1. The Recreation and Culture User Fee and Pricing Policy;
2. The Three Year Fee Schedule effective September 2006; and,
3. Amendments to By-Law, 396-2002 to reflect the Recreation and Culture User Fee and Pricing Policy and Three Year Fee Schedule.

Note: The fees identified in the approved in the Three Year Fee Schedule will expire on September 7, 2009.

In February 2005, to respond to the needs of its citizens and manage rising costs associated with the provision of recreation and cultural services, the City of Vaughan retained IBI Group to undertake a costing and pricing study, and prepare a User Fee and Pricing Policy and Three Year Fee Schedule.

The User Fee and Pricing Policy was developed to help provide a consistent approach to setting reasonable and equitable user fees and levels of subsidy, and to ensure residents have access to affordable recreation and culture programs and services.

The approved policy classifies programs and services into the following three categories:

1. Basic Services;
2. Value-Added Services; and,
3. Premium Services.

**Basic Services:** Programs and services which are provided by the City in pursuing its mandate of being a significant provider of recreation and culture to the residents of Vaughan (e.g. group swimming lessons and youth and senior fitness centre memberships).

**Value-Added Services:** Programs and services that are part of a series of more progressively advanced activities within a specific facility (e.g. Lit soccer fields used by children and youth and general camps for youth).

**Premium Services:** Programs and services which are specialty or advanced in nature or which involve access to premium facilities (e.g. fitness membership, artificial soccer fields, private swimming lessons and advanced level pre-school programs).

The approved increases in user fees were recommended to be phased-in over a three-year period and detailed within a Three Year Fee Schedule. The schedule was based on the following principles:

Highest increase in fees for Premium Services;

Lower increases in fees for Value-Added Services;

Lowest increases in fees for Basic Services; and,

Annual adjustments to the user fee schedule to account for inflation as necessary.

It is noted in the policy that while striving to achieve cost recovery of its direct costs from the collection of user fees, it also had to provide Vaughan residents with access to affordable recreation and culture programs and services.

The policy recommended that the Recreation and Culture Department adjust the user fee schedule on an annual basis to account for inflation. Taking into consideration the Consumer Price Index (CPI), the inflation rates for 2006, 2007, and 2008 were set at 2.0%, 3.0%, and 2.8% respectively.

## STATUS OF IMPLEMENTATION

### 1. User Fees

The following table illustrates the approved % increases applied to the recreation and culture fees. In each year the policy directed an increase as noted in the **Policy** column; additionally a **CPI** was added resulting in an overall **Total** % increase.

Increases to User Fees (as approved in policy and fee schedule)*									
Category	Sept 2006 – Aug 2007			Sept 2007 – Aug 2008			Sept 2008 – Aug 2009		
	Policy	CPI	Total	Policy	CPI	Total	Policy	CPI	Total
Basic	1%	2%	3%	1%	3%	4%	1%	2.8%	3.8%
Value Added	2%	2%	4%	2%	3%	5%	2%	2.8%	4.8%
Premium	3%	2%	5%	3%	3%	6%	3%	2.8%	5.8%

\* +/-rounding adjustments

Note: The above are minimum increases; some programs and services had higher overall increases.

The following illustrates user fees listed in the fee schedule for selected programs:

Activity Title	Pre-IBI	Year 1		Year 2		Year 3		Total Change
	Fee	Fee	Fee	Fee	Fee	Fee		
<b>BASIC</b>								
Swim Kids Level 1 (children/youth)	\$64.00	\$67.00	\$69.00	\$71.00			\$7.00	
Summer Fun Fest (children)	\$211.00	\$216.25	\$225.00	\$233.50			\$23.50	
Tai Chi (older adult)	\$12.00	\$12.50	\$13.00	\$13.50			\$1.50	
Special Needs Swim	\$50.00	\$51.50	\$53.00	\$54.50			\$4.50	
Rec Swim (adult) – 20% reduction	\$5.00	\$4.00	\$4.00	\$4.00			-\$1.00	
Aquafitness (older adult) – 20% reduction	\$4.50	\$3.50	\$3.50	\$3.50			-\$1.00	
1 Year Older Adult Fitness Membership	\$348.00	\$358.50	\$373.00	\$387.75			\$39.75	
1 Month Student Fitness Membership	\$41.00	\$42.25	\$44.00	\$46.25			\$5.25	

Activity Title	Pre-IBI Fee	Year 1 Fee	Year 2 Fee	Year 3 Fee	Total Change
<b>VALUE-ADDED</b>					
Fun in the Sun (children)	\$249.00	\$259.00	\$272.00	\$285.25	\$36.25
Funky Jazz (children)	\$75.00	\$80.00	\$83.25	\$86.50	\$11.50
Little Picasso's (children)	\$90.00	\$92.75	\$96.50	\$100.25	\$10.25
Kiddie Kampus (preschool)	\$88.00	\$90.75	\$94.50	\$98.00	\$10.00
Kinderdance (preschool)	\$63.00	\$65.50	\$68.25	\$70.75	\$7.75
Rhythmic Gymnastics (preschool)	\$94.00	\$97.00	\$101.00	\$104.75	\$10.75
<b>PREMIUM</b>					
1 on 1 Swimming Lessons	\$238.00	\$247.50	\$260.00	\$272.75	\$34.75
Teen Adult Aqua A (swimming)	\$68.00	\$69.50	\$72.50	\$76.00	\$8.00
Belly Dancing (adult)	\$100.00	\$107.25	\$114.00	\$122.00	\$22.00
Kripalu Danskinetics (adult)	\$85.00	\$105.25	\$130.00	\$139.00	\$54.00
Camp Corral (children)	\$515.00	\$541.00	\$579.50	\$619.50	\$104.50
1 Year Adult Fitness Membership	\$496.00	\$516.00	\$542.00	\$568.75	\$71.75
1 Month Adult Fitness Membership	\$57.00	\$59.25	\$62.25	\$65.75	\$8.75
Personal Training – 3 sessions	\$118.00	\$122.75	\$129.00	\$138.00	\$20.00
Fitness Day Pass (pay-as-you-go)	\$10.00	\$10.50	\$11.25	\$12.00	\$2.00

## 2. Participation Levels

For the year preceding the Three Year Fee Schedule, the number of program registrations received for the period Sept. 1, 2005 to Aug. 31, 2006 was 51,242.

In the first year of the approved fee schedule, the total number of registrations for Basic, Value-Added, and Premium programs remained relatively stable at 51,896, however declined in the second year with 50,259 total registrations received. Additional details regarding participation levels are included in Attachment 3.

It is important to note that IBI did not include any assessment of Vellore Village Community Centre in their study. Vellore Village Community Centre opened in the Fall of 2005 with positive participation levels. The number of registrations at Vellore Village Community Centre account for approximately 20% of the total registrations received city-wide. Factoring in Vellore Village Community Centre participation numbers, the total number of registrations received City-wide did not increase overall; rather registrations at some centres and/or programs decreased with the remainder of registrations dispersed amongst the total inventory of community centres.

The third year began in September of 2008 and it is expected that the participation levels will remain relatively stable compared to 2007. With respect to fitness memberships, facility permits and recreational drop in programs, performance has been somewhat stable.

Note: To address the decline in registration, a number of marketing and program measures were implemented to retain current customers and to attract new ones. The following are some examples:

**Preschool Program Promotion:** Flyers; eBlast customer database; and portable signs

**March Break Promo:** posters; website; news release; flyer distribution to schools

**Summer Camps Promo:** eBlast to customer database; flyers to elementary schools; City Page ad; posters; news release; website advertising; print ad in Got My Kids publication; portable signs; and new display banner

**Complimentary Activity Pass:** Inserted with 2008/09 Fall & Winter Recreation Guide

**Registration Promotions:** Contest for online registration; posters; news release; eBlasts throughout the year

**Recreation Guide:** Dedicate inside front cover of Guide to highlight programs, initiatives and events; feature ads for new programs (Steve Nash and Skating Lessons)

**New Events:** Come Out & Play! Week (Jan 3-9, 2009) offering free program trials and free fitness; Special activities for Family Day and PA Days throughout the year

**Youth Engagement:** Vaughan Youth Week activities including new Vaughan Youth Pursuit race; Celebrity Basketball

**School Engagement:** Schools in Bloom; WinterLights; Peace Tree; new Community Spirit Events newsletter

**Brochures & Literature:**

- Party Packages and Corporate Fitness Membership Brochures
- Art Exhibition & Studio Space Program Brochure
- Aquatic Leadership Guide
- City Playhouse Theatre and Learning through the Arts Brochures

**General:** Promote programs and initiatives via advertising on the new TV monitors at community ck on department mailings

**Programs:** Skating Lessons, one week camp options

### 3. Revenues

The approved revenue targets set by IBI were based on 2004 figures. The User Fee and Pricing Policy Report, Item 4, Report No. 7 of the Budget Committee of December 12, 2005, included the following economic impact of the new fee schedule:

The economic impact to the 2006 operating budget for the September to December portion will be approximately \$50,000. In each of the three years, if participation numbers remain the same, the recreation revenue will be increased by approximately 2.5% (\$200,000) in each of the three years for a total revenue increase of \$600,000.

The overriding assumption on the aforementioned is that participation rates and all other variables remain equal moving forward. The decline in participation levels affected the projected revenue targets.

The following provides the overall financial summary including revenues, expenses, net and cost recovery figures for the year preceding the new policy and fee schedule and the last three years:

	Sept '05	Sept '06	Sept '07	Budget '09
Revenues	13,090,186	13,626,959	14,349,578	14,715,415
Expenses	14,647,048	14,931,220	15,357,548	15,821,965
Net	1,556,862	1,304,261	1,007,970	1,106,550
Recovery %	89%	91%	93%	93%

Note: The above figures for the first three columns are calendarized **actuals** for September to August to coincide with the periods noted in the fee schedule and for comparative purposes, and because IBI did not include City Playhouse in the Three Year Fee Schedule, City Playhouse financials have been excluded from the figures above. The final column represents the 2009 draft budget submission excluding the City Playhouse.

Between year 1 and 2 (Sept '06 / Sept '07) of the new fee schedule the revenues have increases by: \$722,619. Year 3 ends in Sept '09.

#### 4. Cost Recovery

While striving towards cost recovery and in an effort to mitigate increases to fees, expenses are regularly reviewed and monitored and cost containment measures implemented. Recognizing that some increases are uncontrollable, every effort to contain those expenses within the control of the operation is adopted. The following are examples of both types of increases.

Factors Impacting Cost Recovery:

Salaries and benefits account for the largest operational expense. The Collective Bargaining Agreement for both full-time and part-time staff brought about a 3% increase per annum. Staffing costs, and the associated benefits, equate to approximately 75-80% of the department's budget. Compounding a 3% increase on pay rates results in an increase in expenditures of approximately \$900,000 for the term of the Three Year Fee Schedule. Combining Policy and CPI increases, rates used to increase user fees in year 1 averaged between 3% and 5%, between 4% and 6% in year 2, and between 3.8% and 5.8% in year 3.

The department continues to strive towards greater cost recovery and containment of expenses through operational efficiencies and revenue generating initiatives despite challenges such as rising costs, inflationary pressures, and the impact of Council approved items.

▪ 2006-2009 – Full-time and Part-time Salaries	avg. \$300,000/year
▪ 2007 onwards - Family Day	\$21,000/year
▪ 2008 onwards - Fee Reduction – Older Adult Rec. Bocce Memb.	\$7,500/year
▪ 2008 onwards - Extension of Fitness Centre Hours	\$5,100/year
▪ 2008 onwards - Vaughan Recreation Activity Room	\$5,000/year
▪ 2008 onwards - Tigi Bocce	\$8,825/year
▪ 2009 onwards - Fee Reduction – Older Adult Fitness Memb.	\$47,000/year
▪ 2009 onwards - Fairs & Festivals	\$20,000/year
▪ 2009 onwards - Rate Reduction CSO Services-in-Kind	\$4,000/year
▪ 2009 - Insurance Rate Increase	\$6,900

Not including the staffing components, other approved items total \$125,325 for a grand total of \$425,325 (+/-) the staffing.

#### Control Measures to Improve Recovery:

The department continues to identify operational efficiencies. For example, commodities required for the operation of recreation programs (such as snacks and beverages, arts and crafts, sports equipment, aquatic supplies, and toys) were re-tendered to initiative discount programs from the current rates paid and/or quoted.

Discounts between 5% and 18% were received from vendors, and equates to savings in the tens of thousands of dollars. Examples of other savings are: \$170,000 for PT Salaries (with benefits) since 2007 and \$13,000 for Professional Fees.

Transaction reviews of the department's administration functions has also allowed for staffing efficiencies at customer service desk counters at community centres during off-peak times.

Grants from agencies such as New Horizons and COSTI have been actively pursued, and the department continues to support sponsorship and advertising initiatives to help offset expenses.

It is the intent of the department to work towards mitigating expenses through continuous improvement and performance measures. Performance Concepts Consulting has recently been engaged to execute a third party Best Practices review of the department's performance measurement framework to align with management decision-making and strategic planning.

#### **MUNICIPAL COMPARATORS / BENCHMARKING**

Each municipality offers recreation programming to meet the needs and interest of its residents. Managed directly by municipal staff, the four main types of programs and services are memberships, registered programs (residents register to participate in structured activities such as swimming lessons and dance classes); drop-in programs (residents participate in unstructured sports and recreation activities such as recreational swimming or skating); and permits (residents or community organizations obtain permits for recreation facilities such as sports fields, meeting rooms, and arena ice).

**One of the guiding principles within the approved User Fee and Pricing Policy is that fees should remain competitive with other recreation and culture providers and, as a minimum, the level of subsidy provided by the City does not have an unintended or negative impact on the marketplace.**

Therefore a benchmarking analysis of user fees in four surrounding municipalities was undertaken (Attachment 2). The selection of municipalities was based on the following criteria: reputations for efficient and effective service delivery; similar socio-economic and demographic characteristics; and neighbouring geographic considerations. The municipalities selected for local comparisons are Brampton, Markham, Mississauga, and Richmond Hill.

Based on *2008 published budgets for Recreation*, a benchmarking analysis of cost recovery rates for Brampton, Markham, Mississauga and Richmond Hill was completed (Attachment 2).

The results of the analysis are included in the chart below and compare Recreation costs with Recreation costs. Expenses such as Culture, Building & Facilities, Parks, museums, marinas, and golf courses have been excluded to represent a fair and reasonable comparison to Vaughan's Recreation budget:

	<b>Vaughan 2008</b>	<b>Vaughan 2009</b>	Brampton	Markham	Mississauga	Richmond Hill
Cost Recovery	92.11%	93.01%	72.91%	69.95%	81.61%	70.00%* **target

The cost recovery rates were gathered as follows:

1. Brampton was taken directly from the 2008 Current Budget Financial Summary for Recreation Products. Information received from Brampton indicates that the only fee increases over the last several years has been the addition of 2.5% per annum for inflation;
2. Markham was taken directly from the Town of Markham 2008 Operating Budget for Recreation Services. This figure was confirmed by a published 2008 Key Performance Indicator: Revenue as % of total Recreation operating expenditures at 70%;
3. Mississauga was extrapolated from the City of Mississauga's 2008 Budget Book; and,
4. Richmond Hill was provided by Richmond Hill's Director of Recreation and Culture.

*Note: All municipalities stated that they primarily use market indicators and municipal benchmarks to establish user fees and set prices. Although there is no official mandate for cost recovery or user fee policy in each of the municipalities contacted for benchmarking, it was a common goal to maintain current cost recovery rates noted above.*

#### **VARIABLES IMPACTING FUTURE FEE INCREASES**

While the City's internal analysis of cost recovery may justify that fees be set at a certain level, the City should always be cognizant of the cost of similar programs and/or services in neighbouring municipalities. As identified in the benchmarking analysis of user fees, Vaughan's fees are higher than its comparators in most cases. In light of affordability, if the City's fees remain in excess of those charged by neighbouring municipalities, some users will switch to competing facilities due to the price elasticity of demand. In addition, an examination of community profiles and demographics has identified a growing level of competition from the private sector over the last few years, offering residents more alternative choices for their recreation and cultural needs.

Notwithstanding, the department will continue to strive to recover all direct costs associated with the delivery of services through the collection of user fees, and will continue to seek opportunities to create new sources of funding to reduce operating costs associated with the delivery of recreation and cultural facilities, programs, and services.

On October 22, 2008 Performance Concepts Consulting was engaged to execute a third party Best Practices review of the Recreation and Culture performance measurement framework. The performance measurement framework review will address performance indicator selection; data design and population methodologies; alignment with management decision-making; the relationship with fees, pricing and annual budget resourcing decisions; process improvement and master planning/strategic planning.

#### **Relationship to Vaughan Vision 2020/Strategic Plan**

This report is consistent with the Vaughan Vision 2020 strategic initiatives to:

- **STRATEGIC GOAL:**  
Service Excellence – Pursue Excellence in Service Delivery; and Enhance and Ensure Community Safety, Health and Wellness; and,
- **STRATEGIC GOAL:**  
Management Excellence - Enhance Productivity, Cost Effectiveness, and Innovation.



This report is consistent with the priorities previously set by Council and the necessary resources have been allocated and approved.

### **Regional Implications**

There are no regional implications.

### **Conclusion**

The Recreation and Culture Department recognizes that the delivery and pricing of programs and services must be accessible and done in a fair, consistent and responsive manner. As well, the Department recognizes the constraints to resource allocation as well as the need to prioritize funding of programs and services in order to allocate resources most effectively.

The Recreation and Culture Department continues to strive towards greater cost recovery and containment of expenses through continuous improvement measures, operational efficiencies and revenue initiatives.

The Recreation and Culture Department will continue to comply with the guidelines set out in the User Fee and Pricing Policy, and upon Council approval, will set an annual inflation rate, effective September 2009, to offset increases in recreation and culture costs. Staff will continue to work towards mitigating expenses through continuous improvement measures to ensure annual increases are covered through the established inflation rate.

### **Attachments**

Attachment 1 - Recreation and Culture User Fee and Pricing Policy

Attachment 2 - 2008 Municipal Benchmarking Analysis

Attachment 3 - Participation Levels

### **Report Prepared By**

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Respectfully submitted,

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**City of Vaughan Recreation and Culture User Fee and Pricing Policy**

**PREAMBLE**

The City of Vaughan Department of Recreation and Culture is committed to providing a range of quality recreation and cultural programs and services in a fair, accessible and equitable manner so as to ensure that all Vaughan citizens have a maximum opportunity for the safe, enjoyable, satisfying and creative use of their leisure time. As identified in the *City of Vaughan Vision 2007*, it is a strategic priority of the City to provide service delivery excellence and to establish and communicate service level standards that are affordable and sustainable.

The following recreation and culture User Fee and Pricing Policy will allow staff to better respond to the needs of all Vaughan citizens and help the Department of Recreation and Culture manage rising costs associated with the provision of recreation and culture services.

The policy is intended to relate to and complement future strategic plans and policies to be created by the City of Vaughan (e.g. Recreation, Culture and Parks Master Plan, Recreation and Culture Business Plans and Fee Assistance Policy).

**POLICY STATEMENT**

The City of Vaughan Department of Recreation and Culture recognizes that the delivery and pricing of programs and services must be done in a fair, consistent, responsive and formalized manner. The Department recognizes the constraints to resource allocation as well as the need to prioritize funding of programs and services in order to allocate resources most effectively. It also recognizes that certain recreation and cultural services are more essential than others for the promotion of health and wellness and therefore a greater tolerance will be given to the ongoing subsidization of such programs and services.

**POLICY GOALS**

The policies contained herein represent the corporate policies of the City of Vaughan with respect to the mandate of the City in providing recreation programming, services and facilities and the creation of a fair, accessible and efficient approach to recouping a portion of municipal costs incurred over and above what is supported by the tax base.

1. It is the intent that the User Fee and Pricing Policy for recreation and culture services be adopted as a permanent policy subject to review at the discretion of the City.
2. To allow for better resource planning for both the City of Vaughan and users of its recreation and cultural services, the Department of Recreation and Culture shall strive to maintain an ongoing three-year fee schedule for all facilities, services and programs.
3. The Department of Recreation and Culture will consistently apply an equitable and reasonable approach to setting user fees for recreation and cultural programs and services.

4. The pricing and operating approach of all recreation and cultural services, programs and facilities will be based on the following Service Categories (refer to Appendix A of the Policy document for definitions and examples of Vaughan's recreation and culture Service Categories, as well as other terms referenced in this policy).

**Basic Services** – Programs and services which are provided by the City in pursuing its mandate of being a significant provider of recreation and culture services to the residents of Vaughan and that promote active living and well-being amongst the widest cross-section of the population, particularly for target groups such as youth, seniors and other identified groups (e.g. group swimming lessons, programs and memberships for youth and seniors, introductory summer or holiday camps for children and youth, parks and rental of certain arenas and sports fields for use by children and youth).

**Value-Added Services** – Programs and services that are part of a series of more progressively advanced activities/skills within a specific recreation activity (e.g. premium soccer fields used by target groups and intermediate summer or holiday camps for children and youth).

**Premium Services** – Programs and services which are specialty or advanced in nature, which involve access to premium facilities or which have more limited participation by target groups (e.g. private swimming lessons, advanced level pre-school programs and rental of arena and sports fields for use by adults and non-Vaughan residents).

5. The Department of Recreation and Culture shall strive to recover 100% of its direct operating costs (i.e. costs associated with department staffing, administration, program equipment and supplies) from the collection of user fees, while ensuring Vaughan residents are provided with affordable access to recreation and cultural services. In order to meet this objective, fee increases will need to also include any annual cost increases anticipated by the City of Vaughan.
6. It is the intent of the Department of Recreation and Culture to eliminate subsidization of activities such as for-profit tournaments and special events.
7. The Department of Recreation and Culture will move progressively towards the recovery of direct and indirect costs for many programs. The Department recognizes the significant level of existing subsidy for certain services and will utilize reasonable objectives in applying increases to achieve fuller cost recovery.
8. The Department of Recreation and Culture will classify all NEW programs and services according to the Department's Service Categories and all NEW programs and services will be subject to cost recovery based on the following scale:

**Basic:** Minimum 50% to maximum 100% cost recovery of direct costs;<sup>1</sup>

**Value-Added:** 75% cost recovery of all direct and indirect costs; and

**Premium:** 100% cost recovery of all direct and indirect costs.

<sup>1</sup> The City will maintain discretion to use these cost recovery targets as guidelines in order to ensure fairness and equity in setting fees and achieving its mandate for assisting new and emerging activities and access to these activities by target groups. This may include minority sports or recreation and culture activities specific to individual groups represented in the City.

9. It is the intent of the Department of Recreation and Culture to ensure that fees remain competitive with other recreation and culture service providers and, as a minimum, the level of subsidy provided by the City does not have an unintended or negative impact on the market place.
10. The Department of Recreation and Culture will continue to investigate potential new sources of revenue (e.g. grants, partnerships and new programs) and support appropriate funding efforts of groups and organizations to help offset the costs to the municipality in providing services and operating facilities.

### **GUIDING PRINCIPLES**

The following principles will guide the future decision-making for the delivery and pricing of recreation and culture services:

#### **Promotion of Health, Wellness, Safety and Essential Life Skills**

##### ***All Citizens***

- The Department will strive to provide a range of recreation and cultural programs that promote health, wellness and active living for all ages;
- The Department will seek to provide programs and services that teach essential life and safety skills (e.g. swimming lessons, CPR and first aid);
- The Department will strive to provide programs and services that develop leadership skills in order to foster personal development and support the delivery of ongoing programs in the City of Vaughan; and
- The Department will ensure its recreation and cultural programs, services and facilities support the needs of diverse individuals and groups in Vaughan.

##### ***Children and Youth***

- The Department will strive to promote health, wellness and active living for children and youth by offering a range of recreational and cultural services;
- The Department will strive to provide a number of Basic Services for children and youth at a subsidized rate (e.g. group swimming lessons, rental of certain arenas, sports fields and community space);
- The Department will strive to ensure programs, services and facilities used by children, youth and parents/caregivers are affordable. This may entail continued subsidization of the direct and indirect costs of some programs and services; and
- The Department will seek to encourage participation of children and youth in non-essential programs and activities (e.g. advanced or specialty programs or use of premium facilities).

##### ***Seniors***

- The Department will strive to promote health, wellness and active living for seniors by offering a range of recreational and cultural services;
- The Department will strive to provide a number of Basic Services for seniors at a subsidized rate (e.g. bocce and fitness memberships and recreational swimming and skating); and

- The Department will strive to ensure programs, services and facilities used by seniors are affordable. This may entail continued subsidization of the costs of programs and services.

#### **Adults**

- The Department will strive to promote health, wellness and active living for adults by offering a range of recreational and cultural services;
- The Department will strive to provide a number of Basic Services for adults at a subsidized rate (e.g. first aid programs and recreational swimming and skating); and
- The Department will seek to ensure other Value-Added and Premium Services for adults are charged at a rate to achieve an increase in overall cost recovery and meet policy goals for recovery of all direct costs of services combined.

#### **Emerging Markets**

- The Department will strive to accommodate emerging recreation and cultural trends and new user groups, particularly in situations where the private sector does not meet the needs for emerging sports and recreation and cultural activities.

#### **Ensuring Affordability and Access**

- The Department will seek to ensure a sustainable, cost effective level of recreation and cultural services for all residents and will set fees in order to support continued participation in these activities;
- The Department will strive to encourage longer-term participation by building participant loyalty through various marketing initiatives (e.g. discount on memberships and fees);
- The Department will seek to allocate a percentage of its facility space and program time to achieve a broad participation base that can be accessed by the public for repeated use at a low cost (e.g. recreational swimming and skating and community meeting space);
- The Department will strive to provide a range of recreational and cultural programs, services and facilities that are not generally provided by the private market at an affordable rate;
- It is the aim of the Department to ensure fairness and equity for all citizens, particularly for low-income households, children and youth, seniors and other target groups;
- The Department will aim to ensure user fees are set fairly and equitably amongst different sports and culture users and user groups;
- It is the intention of the Department to provide a system of financial assistance that is easy to access by as many low income residents as possible within available resources and will undertake the preparation of a formalized policy to address all types of fee assistance; and
- The Department will seek to establish a process by which means testing is one of the major criteria applied to applicants seeking financial assistance.

#### **Achieving Fiscal Accountability**

- The Department will strive to recover all direct costs associated with the delivery of services through the collection of user fees;

- The Department will strive to consistently apply its Guiding Principles and Service Categories (i.e. Basic, Value-Added and Premium) when setting user fees and goals for cost recovery; and
- It is the intention of the Department to work towards achieving the recovery of both direct and indirect costs (i.e. no subsidization by the City), excluding capital costs, for Value-Added and Premium Services provided to the following users:
  - Non-Vaughan residents;
  - Profit-based organizations;
  - Adults (aged 19 to 59); and
  - Participants of for-profit tournaments, competitions, recitals and private events.
- The Department will strive to facilitate citizen involvement in the delivery of recreation and cultural services to their users (i.e. Sports Groups, Senior's Clubs); and
- The Department will continue to seek opportunities to create new sources of funding to reduce capital and operating costs associated with the delivery of recreation and cultural facilities, programs and services.

**Authority of the City**

Notwithstanding the adherence to this policy and the implementation of the 3-year fee schedule, the City of Vaughan retains the right, in its sole and absolute discretion, to amend, alter or otherwise adjust, introduce or terminate any fees for service, at any time or from time to time, as may be deemed appropriate by the City of Vaughan in its capacity as a provider of recreation programs, services and facilities.

**APPENDIX A – DEFINITIONS**

**User Fee** – A fee paid directly by a user to gain access to a specific service (e.g. program registration fees, admission charges, facility rental charges, special service charges).

**Direct Costs** – Clearly identifiable costs that can be directly tied to a specific program, service or department (i.e. Department of Recreation and Culture staffing, administration, program equipment and supplies).

**Indirect Costs** – Costs that are not attributable to one particular activity or department (e.g. operating and maintenance costs of the Departments of Buildings and Facilities and Parks and Forestry Operations, general administrative costs, etc.).

**Direct and Indirect Costs** – The full cost to provide a program, service or facility (i.e. direct and indirect costs of the Departments of Recreation and Culture, Buildings and Facilities, and Parks and Forestry Operations). Excludes any capital costs associated with the construction of new facilities or major facility upgrades/renovations, costs incurred by the Department of Public Works, costs associated with the provision of passive parkland, and corporate-wide costs such as other staffing and administration, insurance and other overhead.

**Subsidy** – The amount of direct and/or indirect costs not paid by the consumer of a program, service, or facility, but paid for by the City with municipal tax dollars.

**Fee Assistance** – A reduced rate or fee charged to the consumer based on financial needs so that they can participate or have access to the program, service or facility.

**Basic Services** - Programs and services which are provided by the City in pursuing its mandate of being a significant provider of recreation and culture to the residents of Vaughan. Specifically, Basic Services:

- Have a broad base of participation (or potentially so);
- Are services for which the private market either does not exist (e.g. parks), exists somewhat but which cannot meet the demand from broad based participation, and/or is provided at a cost which inhibits the majority of residents from participation (or potentially does so);
- Are programs and services which meet the City's goals of promoting active living and well-being among the widest cross-section of the population;
- Are programs and services which provide a basic level of service to target groups such as youth, seniors and other identified groups;
- Are programs and services which make effective, wide-ranging use of City-owned, and purpose-built facilities such as arenas, sports fields and community centres and represent the essential range of activities pursued in those facilities; and
- Are services which may currently be subsidized owing to (i) the costs of providing facilities and programs (ii) an historical subsidy which reflects the City's commitment to providing wide access to these programs, and (iii) are services which should continue to have some level of subsidy in the short to medium term.

**Examples of Basic Services**

- Parks, Playgrounds and Splash Pads
- Recreational Skating & Swimming – All Ages.
- Group Swimming Lessons (e.g. Aquatot, Aquaquest, Rookie Patrol)
- Life Saving Programs (e.g. First Aid, Junior Life Guard Club, Bronze Cross, B.O.A.T.).
- Facilities Used By Children and Youth (e.g. Arenas, Ball Diamonds, Soccer and Cricket Fields, Meeting Rooms, Pools).
- Youth and Senior Memberships (e.g. Youth Drop-in, Fitness Centre, Bocce).
- Introductory/general camps for children and youth (e.g. Summer Fun Fest, Youth on the Move).

**Value-Added Services** - Programs and services that are part of a series of more progressively advanced activities within a specific activity. Specifically, Value-Added Services:

- Are services which go beyond basic exposure to a recreation or cultural pursuit that meets the City's mandate for promoting access and opportunity in such activities;
- Are programs which are more specific (if not advanced) in their characteristics and while using the same facilities (e.g. pools) as Basic Services, they are less widely consumed, or cater to a specific segment of the population; and
- Offer optional skills development beyond the basic level of service and may be more resource intensive in terms of quality or level of instruction, use of facilities and equipment.

Value-Added Services should not be subsidized to the same level as Basic Services as they represent services over and above the City's mandate. These services, notwithstanding any historic subsidy, should be subject to greater cost recovery than for Basic Services.

**Premium Services** - Programs and services which are specialty or advanced in nature or which involve access to premium facilities, and include City subsidy of facilities and staff time related to tournaments, special events and other activities which are in addition to the provision of Basic levels of service. Premium Services differ from Value-Added Services by the degree to which these programs and services:

- Are more limited in the level of overall participation;
- Are more limited in the level of participation by target groups;
- Are services which, to a greater degree, compared to Basic and Value-Added Services, can be provided by the private sector (e.g. personal fitness training and over night camps); and
- Are services, which, despite any existing level of subsidy, should have an aggressive, cost recovery approach to setting user fees.

**Examples of Value-Added Services**

- Premium Facilities used by Target Groups (e.g. Soccer Fields, Ball Diamonds, Community Space and Party Space).
- Pre-school, Child and Youth Programs (e.g. Baby's First Steps, Ballet, Raptorball).
- Intermediate Camps for Children and Youth (e.g. All Star Camp, Summer Odessey, Learning to Lead).

**Examples of Premium Services**

- Private Lessons or Classes (e.g. 1 on 1 Swimming Lessons, Fitness Training).
- Advanced or Specialty Aquatics Programs (e.g. Stroke Efficiency, Water Polo, Synchro).
- Facilities Used By Adults and Non-Vaughan Residents (e.g. Arenas, Ball Diamonds, Fields, Meeting Rooms).
- Adult and Non-Vaughan Memberships (e.g. Fitness Centre, Bocce).
- Advanced-level Pre-school, Child and Youth Programs (e.g. Play With Clay, Co-op Playschool, Gymnastics Club 2).
- Advanced or Specialty Camps (e.g. Stock Theatre, Camp Corral, Wilderness Experience).



Attachment # 2

Municipal Benchmarking Analysis - User Fees and Cost Recovery Rates

		Vaughan	Brampton	Markham	Mississauga	Richmond Hill
<b>2008 COST RECOVERY RATES</b>		<b>92.11%</b>	<b>72.91%</b>	<b>69.95%</b>	<b>81.61%</b>	<b>70.00%</b>
<b>Memberships</b>	Fitness - Adult 1 Year Memb.	\$ 568.75	\$ 380.00	\$ 544.50	\$ 424.56	\$ 410.50
	Fitness - Older Adult 1 Year Memb.	\$ 387.75 (\$310.25 Jan 09)	\$ 248.00	\$ 377.50	\$ 309.00	\$ 205.25
	Fitness - Student 1 Year Memb.	\$ 387.75	\$ 304.50	\$ 398.50	\$ 339.96	\$ 410.50
<b>Recreational</b>	Adult Recreational Swim	\$ 4.00	\$ 2.20	\$ 3.00	\$ 2.60	\$ 3.50
	Child/Youth Recreational Swim	\$ 2.00	\$ 1.00	\$ 2.00	\$ 2.60	\$ 2.50
	Older Adult Recreational Swim	\$ 3.00	\$ 1.65	\$ 2.10	\$ 2.60	\$ 2.50
	Adult Recreational Skate	\$ 4.00	\$ 2.20	\$ 2.00	\$ 3.50	\$ 3.50
<b>Instructional</b>	Yoga (Adult)	\$ 139.00	\$ 54.00	\$ 69.75	\$ 92.71	\$ 54.67
	Belly Dancing (Adult)	\$ 122.00	\$ 53.37	\$ 40.23	\$ 67.14	\$ 69.75
	Pilates (Children & Youth)	\$ 100.25	\$ 81.00	\$ 92.57	\$ 46.35	\$ 77.00
	Ballet (Preschool)	\$ 83.25	\$ 61.50	\$ 49.95	\$ 56.70	\$ 68.63
	One-One Private Swim Lessons	\$ 272.75	\$ 81.90	\$ 211.50	\$ 274.50	\$ 191.50
	Tai Chi - Beginner (Older Adult)	\$ 13.50	\$ 20.90	\$ 46.30	\$ 33.20	\$ 37.50
	Kindergym (Preschool)	\$ 72.50	\$ 38.67	\$ 48.38	\$ 45.90	N/A
	Swimming - Swimmer 1/Seaturtle	\$ 81.75	\$ 54.45	\$ 67.00	\$ 54.90	\$ 70.00
<b>Permits</b>	Arena Ice Prime-Time	\$ 254.02	\$ 191.46	\$ 182.00	\$ 215.49	N/A
	Arena Ice Non Prime-Time	\$ 162.87	\$ 130.54	\$ 135.50	\$ 122.64	N/A
	Ball Fields - Lit	\$ 75.59	\$ 72.00	\$ 28.00	\$ 50.06	\$ 30.00
	Ball Fields - Unlit	\$ 48.33	\$ 51.00	\$ 9.60	\$ 21.18	\$ 22.00
	Gym - Sports	\$ 74.90	\$ 59.90	\$ 79.50	\$ 63.83	\$ 32.00
	Soccer Fields - Lit	\$ 70.43	\$ 72.00	\$ 28.00	\$ 94.12	\$ 32.00
	Soccer Fields - Unlit	\$ 43.73	\$ 51.00	\$ 9.60	\$ 21.18	\$ 24.00
<b>2008 COST RECOVERY RATES</b>		<b>92.11%</b>	<b>72.91%</b>	<b>69.95%</b>	<b>81.61%</b>	<b>70.00%</b>

**User Fee Analysis Notes:**

Shaded cells represent the highest fee among comparators. User fees were compiled using the Resident rate and pro-rated to same length and duration.

**Cost Recovery Analysis Notes:**

The cost recovery rates were gathered as follows:

- Brampton was taken directly from the 2008 Current Budget Financial Summary for Recreation Products. Information received from Brampton indicates that the only fee increases over the last several years has been the addition of 2.5% per annum for inflation;
- Markham was taken directly from the Town of Markham 2008 Operating Budget for Recreation Services. This figure was confirmed by a published 2008 Key Performance Indicator: Revenue as % of total Recreation operating expenditures at 70%;
- Mississauga was extrapolated from the City of Mississauga's 2008 Budget Book; and,
- Richmond Hill was provided by Richmond Hill's Director of Recreation and Culture.

The results of the cost recovery analysis compare Recreation costs with Recreation costs. Expenses such as Culture, Building & Facilities, Parks, museums, marinas, and golf courses have been excluded to represent a fair and reasonable comparison to Vaughan's Recreation budget:

**Attachment # 3**

**Participation Levels**

<b>Program Type</b>	<b>Pre IBI (Sep 1, 2005 - Aug 31, 2006) # of Registrations</b>	<b>Year 1 (Sep 1, 2006 - Aug 31, 2007) # of Registrations</b>	<b>Change (#)</b>	<b>Change (%)</b>	<b>Year 2 (Sep 1, 2007 - Aug 31, 2008) # of Registrations</b>	<b>Change (#)</b>	<b>Change (%)</b>
Adult	2,189	2,217	28	1.26%	1,765	-452	-25.61%
Before & After School	583	651	68	10.45%	753	102	13.55%
Camps *	9,531	8,757	-774	-8.84%	8,008	-749	-9.35%
Children	3,298	3,293	-5	-0.15%	3,150	-143	-4.54%
Older Adults	989	1,080	91	8.43%	1,341	261	19.46%
Preschool	8,540	8,369	-171	-2.04%	8,019	-350	-4.36%
School Break	270	290	20	6.90%	291	1	0.34%
Special Needs	22	20	-2	-10.00%	59	39	66.10%
Youth	117	198	81	40.91%	192	-6	-3.13%
Swimming	25,703	27,021	1,318	4.88%	26,681	-340	-1.27%
<b>Grand Total</b>	<b>51,242</b>	<b>51,896</b>	<b>654</b>	<b>1.26%</b>	<b>50,259</b>	<b>-1,637</b>	<b>-3.26%</b>

\*Camp figures extrapolated to represent a similar comparison to account for a programming change from 2-week to 1-week camps.