

**Community Services Report to
Priorities and Finance Committee
2020 January 21**

**ISC: UNRESTRICTED
PFC2020-0028**

Beltline and Inglewood Facilities Rates and Fees

EXECUTIVE SUMMARY

Council directed Calgary Recreation to report back to the Priorities and Finance Committee with options for modestly increasing rates and fees at Beltline Aquatic & Fitness Centre and Inglewood Aquatic Centre as part of a broader program of work to improve the sustainability of the facilities and better align with community needs. This report includes five pricing scenarios and associated financial impacts, for Council's consideration. The five scenarios increase from no change over and above the Council-approved 2020 increase in scenario 1 up to a \$3.00 increase in scenario 5.

ADMINISTRATION RECOMMENDATION:

That the Priorities and Finance Committee recommend that Council direct Administration to implement a rate option from the scenarios listed in Attachment 1 at Beltline and Inglewood facilities.

RECOMMENDATION OF THE PRIORITIES AND FINANCE COMMITTEE, 2020 JANUARY 21:

That Council adopt the Administration Recommendation contained in Report PFC2020-0028.

PREVIOUS COUNCIL DIRECTION / POLICY

On 2019 November 29, Council approved C2019-1052, 2020 User Fee & Rate Changes, Attachment 9C which reflected increases to single admissions. Council directed Administration to report to the Priorities and Finance Committee on 2020 January 21 with the addition of new user fee categories intended to increase prices at Beltline and Inglewood, specifically.

Council also approved PFC2019-1330 as amended, including specifying price increases as shown in point 2 below (see italics):

1. Maintain funding for up to 2 years (\$400,000/site, per year) for the Beltline Aquatic and Fitness Centre and Inglewood Aquatic Centre from 2019 Corporate Program Savings to maintain service at both sites starting Jan 1, 2020.
2. Implement a combination of the A1, A2, A3, and B1 concepts contained in PFC2019-1330 in order to:
 - Redesign program mix/allocation to focus types of programming to capitalize on each location's strengths;
 - Increase marketing and promotions in order to increase user base by increasing awareness among non-users, using market segmentation to reach out to under-represented populations.
 - *Modestly increased prices compared to other City direct-delivery facilities, remaining competitive with other recreation facilities in the area.*
 - Reduce hours to better align with times that are more financially viable, operating two facilities in tandem so one will always be open.

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3. Update phase one and complete phase two of the Facility Development and Enhancement Study to include emerging communities and provide recommendations based on city-wide recreation infrastructure needs.
4. Prepare a Request for Proposal for a shift to a partner operated model for either or both pools.
5. Identify long-term, sustainable service alternatives and targeted investments to maximize community and social benefits in the area of the two flatwater pools.
6. To engage affected community stakeholders in the above work and report back to Council through the Standing Policy Committee on Community and Protective Services with an update on the progress of the work no later than Q4 2020.
7. To develop appropriate targets for long term operating and capital support for each of these facilities reporting back to Council through Standing Policy Committee on Community and Protective Services no later than Q1 2020.

BACKGROUND

In 2019 July, as part of report C2019-0901, Calgary Recreation proposed closing Beltline and Inglewood facilities. The key reasons for the recommendation were low attendance at each facility and the availability of other publicly-accessible recreation facilities in the area. Tax support for each facility is approximately \$600,000 annually, which is 74 per cent of operational costs for Beltline and 71 per cent for Inglewood. Other comparable City-operated pools operated with 49 per cent tax support. The tax support per visit is \$18.00 at Beltline, \$10.50 at Inglewood and \$7.50 at other comparable City-operated pools.

Council approved one-time funding to keep the facilities open while Administration worked to reduce tax support to the facilities and understand long-term community needs.

The new 2020 admission and pass model approved by Council during Budget Adjustments included the consolidation of Tier 1 and Tier 2 pool admissions. This led to an increase in adult single admission prices at Tier 1 pools including Beltline and Inglewood, from \$6.70 in 2019 to \$8.00 in 2020. These changes were made to bring The City into closer alignment with industry practices and what other recreation partners are offering, while ensuring City facilities continue to be among the most affordable recreation options in Calgary.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Administration identified five price scenarios for adult drop-in admission at Beltline and Inglewood pools, and modelled their potential financial impacts. Attachment 1 shows scenarios starting with the approved 2020 admission and pass model rate (\$8.00) and maxing out at \$11.00. The highest proposed rate increase (\$11.00) is still below rates at the two other facilities in the catchment area – Repsol (\$15.25) and the YMCA (\$16.00). Vecova (\$9.00) is the most comparable facility to Beltline and Inglewood in terms of amenities. For Fee Assistance users, these scenarios increase the rates from \$2.00 at current pricing to a maximum of \$2.75 depending on the option selected since Fee Assistance rates are calculated at a 75 per cent reduction from regular adult pricing.

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While higher rates may indicate higher revenue, there is some likelihood that declining attendance due to escalated pricing could offset additional positive revenue. As shown in Attachment 1, the Council-approved 2020 admission change is expected to increase revenue at the two facilities, provided 2020 attendance numbers are consistent with 2019 numbers. However, further incremental increases to only the adult admission rates would not have significant additional impact on revenues even if attendance remained unchanged.

Admissions are not the primary revenue drivers at Beltline and Inglewood. At Beltline, admissions account for only 23 per cent of revenue. At Inglewood, admissions account for 18 per cent of revenue (see Attachment 2, 2019 Revenues by Product Type). To meaningfully impact revenue through pricing changes, other revenue streams like bookings would need to be changed. As part of the broader Council-directed scope of work related to Beltline and Inglewood facilities, Administration will review potential price increases to other service offerings, complete more detailed analysis of the financial impact of those price increases and engage with impacted stakeholders. The result of this investigation will be brought back to Council by 2020 Q4 with recommendations for adjustments that better support cost recovery.

Modestly increased admission prices at Beltline and Inglewood could help decrease the facilities' reliance on tax support but would not bring these facilities in line with tax support at other flatwater pools. If Council chooses to change pricing at this time, Administration recommends the change take place when City facilities change from winter to spring scheduling to allow proactive communication with customers.

Stakeholder Engagement, Research and Communication

Development of the new 2020 admission and pass model included a thorough market analysis to maintain alignment of pricing to services offered at City-operated facilities so they remain among the most affordable recreational options available in Calgary. That analysis indicated that a single adult admission fee of \$8.00 would allow Beltline and Inglewood to remain affordable and competitive in the marketplace.

Calgary Recreation has worked closely with internal and external stakeholders to support their understanding of the rates and fee changes made effective 2020 January 2. This included communicating with Councillors early in the process. Details on the admission and pass model are shown on Calgary.ca/passes.

The broader program of work aimed at reducing the reliance on tax support of the Beltline and Inglewood facilities involves Administration engaging with stakeholders and reporting back to Council on progress.

Strategic Alignment

Calgary Recreation's Council-approved Zero Based Review (ZBR) recommendations include working with partners to offer recreation opportunities to Calgarians, optimizing direct delivery and modernizing admission charges. The implementation of a new admission and pass model already undertaken for 2020 aligns with this strategic direction.

Current pricing levels, changes to operating costs, market comparisons and alignment were all factors used in determining the 2020 price structure. An additional increase to fees at the Beltline and Inglewood facilities does not align with that analysis.

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Social, Environmental, Economic (External)

While some users have seen prices increase with the new admission and pass model's 2020 rates and fees, the new model is more affordable for people who cannot afford to buy a year's worth of visits up front. Further admission increases may have a negative impact on affordability for some customers including Fee Assistance users.

Additional admission price increases at Beltline and Inglewood could help decrease reliance of the facilities on tax support but will not bring them in line with tax support at other flatwater pools.

Financial Capacity

Current and Future Operating Budget:

Council directed Administration to maintain operating funding for Beltline and Inglewood for up to two years. Scenarios 2-5 in Attachment 1 represent additional revenue potential ranging from \$12,000 to \$35,000 (1.5 per cent to 4 per cent of tax support) above revenue increases anticipated as part of the 2020 admission and pass model changes.

Current and Future Capital Budget:

There is no impact to current and future capital budget as a result of this report.

Risk Assessment

If prices at these facilities increase further without an increase to the value proposition compared to other recreation opportunities, there is a risk of attendance declining and revenue decreasing.

Admission and pass rates are typically changed on January 1 of a given year. New rates took effect in 2020 January and a second fee increase in the same calendar year may negatively impact citizen goodwill and attendance.

These risks would be mitigated through the broader program of work and implementing a more comprehensive approach to pricing.

REASON(S) FOR RECOMMENDATION(S):

A modest price increase to admissions may marginally reduce the tax support required by the two facilities. The Council-approved admission and pass model already features modest increases to 2020 pricing at City pools, including Beltline and Inglewood. Council has directed Administration to complete a broader program of work aimed at reducing the reliance of these facilities on tax support. Completing that full scope of work by 2020 Q4 would better support a comprehensive cost-recoverability plan.

ATTACHMENT(S)

1. Beltline and Inglewood Proposed Pricing Scenarios
2. 2019 Revenues by Product Type