

DATE: January 24, 2019**FILE:** 1700-02/2019/645**TO:** Chair and Members
Comox Valley Sports Centre Commission**FROM:** Russell Dyson
Chief Administrative OfficerSupported by Russell Dyson
Chief Administrative Officer***R. DYSON*****RE: 2019 - 2023 Financial Plan – Comox Valley Recreation Complex Service –
Function 645**

Purpose

To provide the Comox Valley Sports Commission with the proposed 2019 - 2023 financial plan and work plan highlights for the Comox Valley Recreation Complex Service, function 645.

Recommendation from the Chief Administrative Officer:

THAT the proposed 2019 - 2023 financial plan for Comox Valley Recreation Complex Service, function 645 be amended and brought back for review to reflect a proposed two percent increase in requisition.

Executive Summary

This report presents a proposed financial plan for the Comox Valley Recreation Complexes service that maintains the tax requisition, suggests an amended two percent increase and includes the second phase of increases to fees and charges.

Highlights include:

- The proposed tax requisition is currently unchanged from the 2018 levels at \$4,520,250 (70 per cent). However further assessment has determined an increase in the annual requisition of two per cent is required to an amount of \$4,610,655.
- Based on an amended estimated 2019 residential tax rate of \$0.26 per \$1,000 of assessed value, the tax levy for a property assessed at \$400,000 would be \$102.96 compared to the proposed budget of \$100.96.
- The two per cent amendment is proposed to support:
 - Implementation of the Recreation Review
 - Personnel costs for commitments in the new collective agreement
 - Additional asset management costs for reserve contributions and professional fees
- Sales of services and user fees for 2019 are estimated at \$1,807,640 (27 per cent of revenue);
 - Phase two of increases to fees and charges are anticipated this year
- Overall personnel costs are proposed to increase. An updated amount will be presented in the recommended budget stage reflecting the new collective agreement.
- Adjusted staff levels are included to:
 - ensure compliance with Technical Safety BC, in part following a fatality at a recreation complex in B.C. in 2017;
 - ensure public safety at pool facilities to comply with the Lifesaving Society;
 - maintain aging infrastructure and extend facilities' lifespan.
- Implementation of the recreation review, to be presented to the Commission, which requires
 - Understanding of strategic direction
 - Employee engagement, communication and training
 - Increased IT services for Perfect Mind and scheduling

- Operations associated with ammonia regulations and Lifesaving Society will continue to be monitored through 2019 and may result in further financial impacts.
- Capital costs include the replacement of the arena 2 dehumidifier budgeted at \$160,000 and continued implementation of the recreation management software at \$75,000.

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Policy Analysis

Bylaw No. 2410, being the “Bylaw to Establish the Comox Valley Recreation Complexes Service” was adopted to establish a service for the purpose of constructing, equipping, enlarging, operating and maintaining ice arena-swimming pool complexes and to contribute towards the cost of existing community use facilities and structures in the service area. Participants in the service include the City of Courtenay, Town of Comox, Village of Cumberland and the residents of Electoral Areas ‘A’, ‘B’ and ‘C’.

The Comox Valley Recreation Facilities Master Plan was identified in the strategic plan in 2016 and adopted by the Comox Valley Sports Centre Commission in August 2017. Costs allocated within the proposed 2019 budget line item operating expenditures associated with the master plan provide for safety/accessibility improvements with an addition of automated washroom doors in both arenas. The approximate cost is \$10,000. Staff will continue to analyze and may bring further initiatives forward in future years as funding and staffing allows.

Financial Plan Overview

Each year the CVRD prepares an updated five-year financial plan that represents the operation of each service from one budget year to the next.

An asset management plan review for the CVRD Sports and Aquatic Centre facilities’ will take place in March 2019. A report will come forward to the Commission upon the completion of the assessment. The report will provide direction on the future of the two facilities and give recommendations of the financial support that this function will need to properly maintain the facilities. A further increase in the annual requisition may need to be considered effective 2020 in order to address recommendations and priorities coming out of the report. A 2 two percent increase will help support this process and prepare for the future.

A recreation review for the CVRD Sports and Aquatic Centre facilities was completed in September 2018. This report provided recommendations for the recreation department to assist with items such as the budgeting process, strategic planning, staffing, employee engagement and principles to setting program fees. The implementation of this plan is currently underway and will require additional funding reflective in the amended budget in 2019 to achieve results.

Staff continue to work closely with the regulatory branches (Lifesaving Society and Technical Safety BC) to ensure any further upcoming regulatory changes are addressed immediately as they are announced by these governing agencies. There could still be further regulatory changes in future years regarding ammonia plant operations that may impact personnel, capital and operating costs.


The full extent of the new collective agreement of personnel costs on staffing are not fully quantified at this stage but will be reflected in the recommended budget.

At this time, it is projected that the recommended budget will have a two per cent increase in the requisition for the following reasons:

- Implementation of the Recreation Review
- Personnel costs for commitments in the new collective agreement
- Additional asset management projects for reserve contributions and professional fees

Table 1 summarizes the 2019 proposed budget as compared to the 2018 adopted budget. Significant variances from 2018 adopted budget will be discussed in the financial plan highlights section below.

Table 1: Financial Plan Highlights

|  2019 Proposed Budget | | | | #645 Comox Valley Recreation Complexes | | | |
|---|---------------------|-----------------------------|----------------------------|---|--|--|--|
| Operating | 2018 Budget | 2019 Proposed Budget | Increase (Decrease) | | | | |
| Revenue | | | | | | | |
| Grants In Lieu | 133,500 | 133,500 | - | | | | |
| Requisition | 4,520,251 | 4,520,250 | (1) | | | | |
| Sale Services User Fees | 1,767,700 | 1,807,640 | 39,940 | | | | |
| Other Revenue/Recoveries | 67,255 | 57,255 | (10,000) | | | | |
| Prior Years Surplus | 488,226 | 330,121 | (158,105) | | | | |
| | \$ 6,976,932 | \$ 6,848,766 | \$ (128,166) | | | | |
| Expenditures | | | | | | | |
| Personnel Costs | 3,934,545 | 4,172,148 | 237,603 | | | | |
| Directors Remuneration | 11,925 | 15,075 | 3,150 | | | | |
| Operating | 2,168,883 | 2,178,941 | 10,058 | | | | |
| Contribution to Reserve | 674,869 | 409,573 | (265,296) | | | | |
| Transfer to Other Functions | | 13,000 | 13,000 | | | | |
| Debt Charges | 186,710 | 60,029 | (126,681) | | | | |
| | \$ 6,976,932 | \$ 6,848,766 | \$ (128,166) | | | | |
| Capital | | | | | | | |
| Funding Sources | | | | | | | |
| Transfer from Reserve | 328,533 | 250,000 | (78,533) | | | | |
| | \$ 328,533 | \$ 250,000 | \$ (78,533) | | | | |
| Funding Applied | | | | | | | |
| Capital Projects & Equip | 328,533 | 250,000 | (78,533) | | | | |
| | \$ 328,533 | \$ 250,000 | \$ (78,533) | | | | |

The 2019 - 2023 proposed five-year financial plan for the Comox Valley Recreation Complexes Service, including the requisition summary and the operating and capital budgets, is available within the full proposed budget binder, provided in both searchable PDF and e-reader formats, located on the CVRD financial plan web page at www.comoxvalleyrd.ca/currentbudget.

Highlights of the 2019 - 2023 proposed financial plan for the recreation complexes, function 645-649, include:

Revenue Sources

The main source of revenue for the Comox Valley Recreation Complexes Service is the tax requisition (70 per cent) which currently remains unchanged in the proposed budget for 2019 at \$4,520,250. However, it is suggested this be amended to \$4,610,655, a two per cent increase, at the recommended budget stage.

Sales of services and user fees for 2019 are projected at \$1,807,640 (27 per cent) of the 2019 revenue. Staff continually strive to find new programs and ways to increase the participation at the facilities. Some of the 2019 initiatives include indoor concerts, sponsorships, weekly fun pool and skate events, new hockey leagues, and restructuring/ increasing program class sizes if this can be done safely.

The 2018 general surplus carry forward is currently estimated at \$244,948. In addition to this, \$25,000 from Kraft Hockeyville and \$60,000 for continued asset management work has been brought forward for a total of \$330,121. This will be updated further upon finalization of the 2018 year-end.

On recommendation by the Commission in 2018, CVRD staff have been looking for ways to increase revenues to help offset costs. In April 2019, staff will be bringing forward the second report of a phased approach of increases to user fees to take effect on September 1, 2019. It was recognized in 2018 that the CVRD facilities had not had an in depth cost review for some time and fees and charges were not keeping pace with increased operating and personnel costs. In 2018 staff completed a cost comparison of pools on Vancouver Island, as well as a cost analogy of facility operating and staff costs. Due to the amount of increases required, staff recommended a phased approach. Phase one reported in 2018 and Phase two to be reported April 2019. Areas targeted for increased fees include ice/pool rental rates, drop in rates and locker rental rates. As well, an introduction/addition of some new categories for dry land personal training professionals. The proposed financial plan does not include extra revenue relating to fee increases which are anticipated to increase between five and eight per cent.

In the past year, recreation has noted an increase in the revenue of some areas such as aquatic swim lessons, leadership courses and school swim lesson rental program. With the school district's increasing struggles to provide busing for children to CVRD recreation facilities, staff have worked with swimming agencies such as the Red Cross to access swim lesson grant money. This assists the schools in providing transportation to offer school age children the opportunity to learn a most important life skill of water safety.

Personnel

The personnel budget for 2019 is currently proposed to increase by \$237,603 to reflect the costs associated with the new Employer Health Tax, WCB, CPP benefits increases and incorporation of staffing recommendations contained in the Recreation Review report. This includes the addition of one full-time recreation facilities attendant and the adjustment of one fulltime facilities maintenance position into a fulltime chargehand. These changes/adjustments are proposed with a modest increase of \$13,946. However a new collective agreement with USW 1-1937 is in the process of being ratified for a four-year term. The 2019-2023 personnel rates will be revised and reflected in the recommended budget to reflect the new agreement.

Of note, the 2018 budget for personnel costs was \$3,934,545 with 2018 actual costs to date coming in at \$3,583,561. Part of the savings is attributed to the early completion of the new ammonia regulatory changes/requirements as well as scheduling for other operational efficiencies throughout the year. In addition, allowances were included in personnel costs in 2018 for the new collective agreement increases which will not take place until 2019.

In November 2018 the CVRD Sports Centre arenas received their ammonia refrigeration compliancy certifications. These certifications allow reverting the operations staff schedule back to the standard two shifts during operational and public hours for each arena. To ensure staff and public safety 24/7 the sports centre facility is also monitored with an alarm system.

Operations

Overall operations costs for the facilities is proposed to increase modestly for 2019 by \$10,058. The proposed budget includes a provision for the annual maintenance that is done on the buildings and equipment, for the most part during the shutdown periods scheduled from April-August of each year.

2019 minor capital projects scheduled for Arena 1 are the washroom and lobby flooring totalling \$10,000. Professional fees includes an allowance for the 2019 Recreation Review implementation and a \$60,000 carry forward for asset management planning.

The recommended budget will reflect increased costs for recreation review which has highlighted better staff training opportunities, IT challenges with scheduling and Perfect Mind among other communications opportunities.

Debt

One of the remaining debt issues, for the Arena 2 ice surface, will be retiring in 2021. This will enable increased reserve contributions and fund capital/operational projects. The remaining loan is interim financing for the curling centre renovation project which will be converted to long term debt by 2020.

Capital

The capital equipment, building improvements and IT Infrastructure scheduled for 2019 are:

- Implementation registration/facility booking/POS software (\$75,000).
- Arena 2 dehumidifier (\$160,000) as part of asset management plan.
- Vehicle replacement/upgrade (\$15,000) as part of safety/asset management plan.

Due to ongoing issues with the implementation of the registration software, an allowance of \$75,000 has been carried forward to 2019.

There are a significant number of capital projects identified in the asset management plan and are scheduled for replacement in future years. Approximately 40 projects are scheduled for completion in the next eight years. Table 3 indicates the projects included in the proposed capital plan for 2019-2023.

Table 3 – Capital Projects 2019-2023

| Year | Project | Amount |
|------|--|-----------|
| 2019 | Arena 2 Dehumidifier | \$160,000 |
| 2020 | Arena 2 ice resurfacers | \$160,000 |
| 2020 | Aquatic Centre pool air handling unit3 | \$40,000 |
| 2020 | Aquatic Centre pool main, PH1 | \$25,000 |
| 2021 | Aquatic Centre roof assessment | \$150,000 |
| 2021 | Arena 2 board system | \$140,000 |
| 2022 | Arena 2 roof upgrades | \$250,000 |
| 2022 | Arena Scoreboard | \$25,000 |
| 2023 | Aquatic Centre Roof | \$250,000 |

Reserves

The retirement of a debt issue in 2017 has enabled steady contributions to the two existing reserve funds across the 2019-2023 financial plan to support the capital works plan and potential asset management items. Annual contributions to the future expenditure reserve are included in the plan for 2019 through 2021 in addition to annual contributions to the capital reserve as shown in Table 4. Preparing for asset management of the aging facilities highlights a need for higher contributions to the reserves. The two per cent increase will assist by increasing reserve contributions.

The contributions to the capital works reserve includes an annual repayment of reserve funds used for the heat reclamation project. The annual contribution represents the estimated cost savings through reduced energy consumption at \$50,000 per year.

Table 4: Estimated Capital Works Reserve Status

| Capital Reserve | 2018 | 2019 | 2020 | 2021 | 2023 | 2023 |
|------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Opening Balance | \$627,147 | \$708,432 | \$843,005 | \$810,494 | \$869,320 | \$754,260 |
| Contributions | \$261,707 | \$309,573 | \$221,489 | \$213,826 | \$159,940 | \$88,690 |
| Withdrawals | (\$180,422) | (\$175,000) | (\$254,000) | (\$155,000) | (\$275,000) | (\$250,000) |
| Closing balance | \$708,432 | \$843,005 | \$810,494 | \$869,320 | \$754,260 | \$592,950 |

Citizen/Public Relations

The 2019 proposed requisition is currently unchanged from 2018 at \$4,520,250, based on a tax levy of \$0.2524 per \$1,000 of assessed value or annual tax levy of \$100.96. The recommended budget will include a two per cent increase in this total requisition, to \$4,610,655, which for a property assessed at \$400,000 will result in an amended estimated residential tax rate of \$0.2574 or annual tax levy of \$102.96.

The public will be notified of any impacts to fees and charges through a communications plan that involves stakeholder input and notification to the general public.