

APPENDIX A

PARTNERSHIP OVERVIEW & PRELIMINARY FRAMEWORK FOR A MULTI-USE RECREATION FACILITY

1.1 INTRODUCTION

The goals of this Master Plan indicate an intention to collaborate with others in the pursuit of quality facilities and services. As in most communities, partnerships could become a key strategy to achieve the Department's goals in the most cost effective fashion, particularly in relation to the construction and operation of an indoor aquatic facility and recreation centre.

Recently, many municipalities have become more proactive in investigating non-traditional relationships for the development and/or operation of facilities. As a result, there is growing interest in public-private partnerships, arrangements with Trusts acting on behalf of community organizations, and formal operating relationships with user groups involving predetermined liability and financial risk allocation.

The current economic and political environment requires public leisure service providers to design program delivery mechanisms from a client perspective, obtaining good value, utilizing systematic management practices and striving for positive results. This can be achieved by building on the strengths of the potential partners, utilizing information technology and focusing on core competencies of those involved in the relationship.

1.2 POTENTIAL PARTNERSHIP APPROACHES

There is a broad spectrum of program delivery and facility development options available to the City. The traditional self-managed approach involves municipal personnel operating facilities developed with public funds. On the other end of the continuum is a privatization strategy involving a transfer of operating responsibilities to the private sector. Options in between these extremes involve joint service agreements with affiliated not-for-profit groups, service or operating arrangements with community associations, facility development and operating partnerships or outsourcing services to private providers. Decisions related to service delivery alternatives must be made on a case-by-case basis.

1.3 OVERVIEW OF A STANDARDIZED PARTNERSHIP FRAMEWORK

Methods of selecting appropriate service delivery approaches vary between municipalities and frequently departments employ a variety of methodologies, depending upon the circumstances and complexities of the services in question. A standardized framework provides a backdrop for fair and equitable evaluation of acceptable service delivery relationships. Such a framework should help municipal decision-makers answer questions such as:

- Is the proposed service/facility needed in the community?
- Is the proposed service/facility consistent with municipal values?
- Who is best equipped to deliver the service?
- Will municipal interests be protected within the selected approach?
- To what extent will potential partners be expected to comply with municipal values and philosophies?
- What are the minimum attributes a potential partner must bring to a relationship and what mechanisms will be necessary to validate the partner's true capacities?
- Under what conditions will the City absorb risk and what will determine the municipality's risk tolerance threshold?
- How (if at all) will stakeholders and other with a vested interest in the project be included in deliberations regarding the partnership?
- What will be the municipality's financial expectations for a partnership and under which conditions will certain types of investments to a partnered project be considered?

1.4 METHODS OF LOCATING PARTNERS

There are four basic means of locating potential partners:

- Sole source negotiation by the City with targeted organizations. Sole sourcing is generally most appropriate when dealing with not-for-profit groups or other public sector organizations for modestly valued agreements and inherently limited risk. Sole sourcing may also be appropriate when there is only one provider of the desired product or service available in the market place.
- Tender call process. This process is appropriate when the City is seeking a well-defined product, service or commodity and detailed specifications are available. It should be understood that the tender process generally limits the potential for creativity on the part of candidate partners.
- Unsolicited proposals submitted to the City by outside groups.
- Request For Proposals (RFP's). This process is appropriate when the City identifies a need or opportunity, but the means to achieve the desired outcomes are variable or unreadily known and creative solutions could improve the success or output of the relationship.

1.5 ELEMENTS OF A SUCCESSFUL PARTNERSHIP

Each potential partnership must respond to specific needs and be structured consistent with the requirements of the project. However, several common elements are usually inherent with successful partnerships.

- The venture will be mutually beneficial to the partners.
- There will be clearly defined roles and responsibilities.
- There will be a performance evaluation methodology.
- There will be shared commitment to serve the needs of those affected by the venture.
- There will be a commitment to improve.

- There will be fair and honest recognition of each partner's contribution.

1.6 EVALUATION CRITERIA

Each potential relationship with outside interests should undergo two levels of assessment. The Level One Assessment Phase will identify the City's desired role and potential involvement in the venture. The process of establishing a productive relationship will largely hinge upon successfully completing the planning groundwork identified in the Level One analysis. At a minimum, the following criteria should be employed during the Level One analysis:

- the proposition's relevance to the Department's vision;
- the potential partner's compliance with the City's corporate culture and evidence of a public service attitude and commitment;
- confirmation that there is legal authority to undertake the proposal;
- the proposition responds to a demonstrated need or presents an attractive benefit to the municipality's public service; and
- there is clear community benefit and/or economic impact spin-offs for or within the municipality.

The Level Two Assessment Phase evaluates the merits of various proposals to establish a relationship with the City. At a minimum, the following criteria should be employed during the Level Two analysis:

- there is a business plan demonstrating the revenue/cost and operating advantages of the proposal, relative to other proposals or to the City's ability to deliver the service;
- there is value inherent in the proposal that would provide the municipality with enhanced levels of service;
- the City's proposed financial and risk obligations are acceptable;

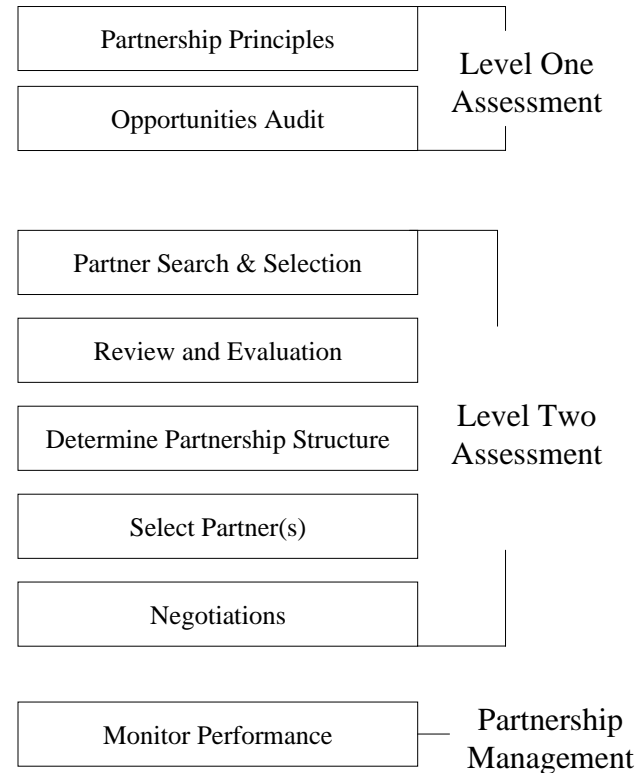
- the proponent is capable of demonstrating operating and technical qualifications and financial ability commensurate with the nature and scope of the project;
- the project is clear of any environmental concerns;
- the proposal includes a risk analysis (financial, continuity of service, public relations, liability, etc.) that is acceptable to the City; and
- the proposal includes a benefit analysis for both the municipality and the proponent that is acceptable to the City.

Although the proponent will have identified the major requirements of the partnership, the negotiation phase involves in-depth discussions and reviews with the intent to creating a mutually acceptable and viable working relationship. Normally, detailed negotiations are quite time consuming, especially for complex projects.

After implementing the project, the partners should engage in a mutual evaluation of the relationship. Where necessary, adjustments to roles and responsibilities should be considered to improve the working arrangement between the partners and the results of their efforts. Outcomes should be tested against the partnership principles and new directions should be guided by the predetermined municipal positions regarding the partnership. The consequence should be consistent with the objectives for the venture and the expectations of the partners.

The following framework illustrates the application of the two levels of analysis and the process through which the municipality would evaluate solicited proposals.

SOLICITED PARTNERSHIP REVIEW FRAMEWORK



APPENDIX B

BUSINESS IMPLICATIONS OF THE PROPOSED MULTI-USE RECREATION FACILITY

DISCUSSION PAPER

1.1 INTRODUCTION

This Master Plan has identified demand for a multi-use recreation facility consisting of several components, including a public access indoor aquatic centre. As part of the planning process, the City has requested that a detailed examination of the likely financial performance, partnership options and potential management model associated with the development the multi-purpose recreation complex be undertaken.

A number of factors will influence the City's decision regarding the development of the contemplated facility. These include:

- The YMCA is an important provider of health and wellness, youth development, seniors and outreach programs to Owen Sound and its adjacent municipalities. For many years the Y and its community partners – most notably the Joint Pool Committee – have been considering long-term options to replace the existing YMCA facility. To this end, the organization has undertaken various studies that have examined the market potential and feasibility of a new complex as well as a number of development alternatives. Although detailed discussions with the City have not taken place, the YMCA is generally considered a primary partnership candidate in terms of a new multi-purpose complex.
- The needs assessment portion of the Master Plan has determined that there is a current deficit of approximately 0.8 ice pads to meet the needs of groups that utilize Owen Sound's arenas. Although the total number of ice users from within municipal boundaries is expected to decrease by about 3% over the next 10 years, lack of ice time was a significant issue identified during the public consultation process. Furthermore, the City's rinks serve the needs of users from neighbouring jurisdictions, which exacerbate the deficit situation. As such, an arena component – preferably in a twin pad configuration – would be a useful addition to a

multi-purpose facility both from a programmatic and financial perspective.

- The YMCA, Curves, Stone Tree and the Woman's Health and Fitness Centre currently provide a variety of fitness, wellness and active living services to City residents and fitness enthusiasts from neighbouring jurisdictions. Although a detailed market analysis has not been performed, aerobics, fitness and weight training were the fifth most popular recreation activity in Owen Sound during the past year according to the Leisure Guide Survey. Even though fitness facilities are not seen as core municipal services, it is reasonable to suggest that a fitness component would be a useful addition to a multi-purpose facility, given its potential to generate traffic and produce net income that could improve the financial viability of the complex.
- Most modern multi-purpose recreation facilities offer program rooms and open spaces that can be used by a variety of groups for multiple purposes. The needs assessment portion of the study suggests that either dedicated rooms or general spaces could be included in the new complex to accommodate the needs of seniors and youth. The addition of these types of spaces would round out the multi-use intent of the facility, even though these uses are not likely to bolster the financial performance of the complex.

1.2 PURPOSE OF THIS DISCUSSION PAPER

The research and consultation phase of the Master Plan has found sufficient demand for a new, public access aquatic facility in the City. Furthermore, the study substantiates that one new ice pad could usefully be added to the City's inventory and that if a multi-purpose facility were to be developed a number of supplementary facility components should be considered.

Capital funding pressures, competing municipal priorities and the public's desire for an efficient and effective delivery system implies that it is prudent for the City to investigate innovative capital development options and management models to deliver required recreation facilities and services to ratepayers. To this end, the Master Plan has identified specific goals related to collaboration, partnerships, maximization of resources, sustainability and affordability, which in combination suggest the availability of new approaches to achieving the study's action plans within an environment of limited financial resources.

The purpose of this Discussion Paper is to examine the implications of utilizing a partnered and/or collaborative approach in the development of the multi-purpose recreation complex in Owen Sound. **The contents of this Discussion Paper are intended to help municipal decision makers understand the financial ramifications of a partnered facility and to explore potential management options that may be considered for the project.**

In preparing this Discussion Paper, the consultants performed the following activities:

- Reviewed relevant trends, partnership models, management approaches and operating considerations pertinent to the study.
- Reviewed the document "Market Feasibility Study for a New Regional Aquatics Centre" (Leisure Plan International Inc. 2000).
- Reviewed the document "YMCA's and Municipalities: Working Together for Canadians" (YMCA Canada 2005).
- Reviewed the document "Vision Update For an Owen Sound Regional Multi-purpose Multi-Generational Recreation Facility" (Joint Pool Investigation Committee 2004).
- Interviewed municipal representatives.
- Interviewed representatives from the Owen Sound and Area Family YMCA and the Joint Pool Investigation Committee.
- Reviewed related financial and operating records of municipal recreation facilities and programs.

This Discussion Paper presents the financial implications of the potential multi-purpose facility components on both a "business unit" and consolidated basis. The management and operating parameters of each business unit are fully described in order to provide City officials with adequate background about the factors that will influence the financial and operating performance of the facility and to facilitate a thoughtful decision regarding possible development directions and partnership discussions with the YMCA and others.

1.3 CONTEXT

The spectrum of program delivery and facility development options is broad. Therefore, it will be important that officials consider the following important trends and influences that will likely affect facility use, program participation and lifestyle choices of individuals likely to patronize the new development.

Provincial and National Physical Activity Initiatives

As highlighted in the Owen Sound and Area Physical Activity Plan, there is increasing evidence that the majority of Canadians face increased risk to their health due to low levels of physical activity. The country's inactive population has a higher incidence of chronic disease and longer periods of impairment leading to a lower quality of life. Only about half of Canadians participate in physical activity endeavours to the extent that health benefits are realized. In response to the significant health issue, provincial and national governments have adopted programs to encourage a reduction in physical inactivity.

A Federal-Provincial/Territorial Advisory Committee on Fitness and Recreation prepared a document entitled "*Physical Inactivity: A Framework For Action*". The report identified several key issues that must be addressed if levels of physical activity are to be increased. Although these points were originally intended for the physical activity community, they illustrate the need for changes to the manner in which general recreation, sport and leisure programs and

services are delivered. The recommendations included in the framework are summarized below.

Economic Conditions Are Changing

- Full-time employed Canadians are working longer hours – the result is less time for recreation and leisure activity, independent of work and household chores.
- The restructuring of the economy is creating a larger group of part-time employed, unemployed, and under employed persons who must devote greater attention to the basic necessities of life.
- Reductions in public sector expenditures have resulted in significant cutbacks to programs and services – recreation, education, and fitness – that support physical activity.

The Nature of Institutional Public Services Is Changing

- The resource capacity of local level public institutions that have traditionally provided a range of services is being eroded, resulting in a concentration of new program areas within the purview of Parks and Recreation departments that often consider these additions as secondary to traditional core services.
- The school system is being pressed to focus its resources on (what are considered) core subjects at the expense of physical education and cultural education components of the curriculum.
- The renewal of the health system is recognizing the need for increased emphasis on a health promotion and disease prevention, but new resources to support this priority are scarce.
- There is a greater need and willingness among the various sectors to establish new partnerships and networks to eliminate duplication and support collaborative planning and action.

The Social Structure and Environments Are Changing

- The traditional family, with a working father and stay at home mother has shrunk from 30% of all families in 1970 to 7% in 1991.
- The work time demands of many parents limit their ability to spend time with their children recreating or being physically active or to serve as positive role models for their children's development.
- The ability of low-income Canadians to engage in recreation, leisure and physical activity opportunities that contribute to their health and well being is limited by cost of participation.

Public Expectations Are Changing

- The public is demanding greater control over the decisions that affect their communities and lives. At the same time there is increasing pressure for the public to contribute volunteer leadership and human resources necessary to support what have been previously considered basic community services formally provided by government.
- Governments are being required by the public to demonstrate greater accountability in the use of public resources to provide priority services in effective and proven ways.

1.4 BASIC FACILITY, MANAGEMENT & PARTNERSHIP CONCEPT

This analysis focuses on the basic multi-purpose recreation facility concept that has for some time been promoted by the Joint Pool Investigation Committee. The concept involves building a new multi-dimensional complex in Victoria Park with a view to replacing the existing facilities and services currently provided by the Owen Sound and Area Family YMCA. It appears that the site offers sufficient land to accommodate a new and expanded pool, a twin pad ice rink (one new ice pad plus the pad provided by the Coliseum), a

fitness/conditioning/wellness centre, program rooms and related support amenities. According to the Joint Pool Committee's investigations, these facilities could be constructed at **Victoria Park** without negatively impacting current events and other uses of the site. It is noteworthy that we have not undertaken an independent analysis of the site or examined other considerations normally included within a site selection process. Therefore for the purposes of due diligence, should the project proceed, it is recommended that alternative sites be evaluated.

The multi-purpose nature of the complex contemplated for the Owen Sound project requires a degree of management sophistication and specialized expertise to maximize financial and program performance. Municipalities usually elect to either self manage multi-purpose complexes or contract the management and operations to a third-party – such as a not-for-profit organization like the YMCA or a private sector management company. Although there are some examples where community organizations are adequately equipped to run these sorts of facilities, generally they are unable to respond to municipal concerns or requirements regarding risk obligations, compliance with preset standards of operation, board member or senior staff secession issues, etc. **It is, therefore, quite likely that the City's management options would be restricted to either a self-operated or contract management approach.**

Largely through the efforts of the Joint Pool Investigation Committee, some form of alliance between the YMCA and the City has been the general premise within which the multi-purpose recreation facility has advanced. In view of the long-held perception that this potential relationship with the most effective means to bring the facility to fruition, **we have assumed that the City would engage in discussions with the Y before entertaining management options with other service providers.**

Although the operating relationship between the City and the YMCA is yet to be determined, the financial projections included in this report are based upon a very simple premise:

- **the Central Services staff would be municipal personnel and the City would run the arena portion of the complex; and**
- **the YMCA would run the pool and conditioning / healthy living centre.**

As such, the aquatics centre and healthy living centre would be membership-based facilities, with access being provided to non-members through pay-as-you-go and program-specific pricing. Drop-in visitors would receive the same level of service and attention as members. This is consistent with the approach used at the Maitland Recreation Centre in Goderich, a facility which has often been cited as a template for Owen Sound and area.

1.5 KEY CONSIDERATIONS

It will be important that the City be mindful of the following considerations when it engages in partnership discussions with the YMCA:

- The facility will be expected to serve public recreation requirements – especially in terms of aquatic services – while providing an environment that is conducive to a membership based YMCA program. It will be exceedingly important that the management team is fully capable of balancing the service agendas implied by both of these mandates, particularly the issues of access and priority. Therefore, one of the negotiating teams' first tasks should be to define methods to protect delivery of services consistent with the minimum expectations of their target audiences to ensure that the joint venture and operating alliance is capable of fulfilling the balanced agendas.
- The facility's financial viability is largely linked to the net revenue performance of the conditioning/healthy living centre. The operating premise described above would have

the YMCA in complete control of this important business unit. Therefore, it would seem reasonable that the Y would be responsible for a large portion of the financial risk for this project/operation.

- The structure of the relationship will be an important precursor to the tone of the ongoing operating alliance between the City and the YMCA. For example, a relationship that would have the Y operate the pool on behalf of the municipality would have different operating implications than if the Y became a tenant in a municipal building and offered services to the City such as public swims and lessons at guaranteed pricing. A close working relationship between the two entities requires that negotiations deal with the finer details of operating nuances and service delivery methods to ensure that the interest of both partners – and their related constituencies – are protected.
- In other comparable situations, partners have focused on capital issues – for example, “can we raise the money?” – before thoughtfully dealing with “how will the relationship work?” if the capital funding was to become available. It is much safer to utilize a “form follows function” approach, which means that management, operating and service issues are clearly fleshed out to ensure that the project is worthy of the time and energies necessary to create fund-raising campaigns, establish strategic lobbying initiatives to attract infrastructure funding, etc. Therefore, it is essential to determine that the partners can coexist and flourish under the same roof before the “prospect” becomes a “project”!
- Land and building ownership issues, management fees, risk allocation, net revenue distribution, capital replacement, program subsidization for lower-income participants and a host of other variables will require thoughtful and focused negotiation.

1.6 MULTI-PURPOSE FACILITY SERVICE SEGMENTATION

The diverse nature of the project implies that the management and operating team must have the skills, specialties and expertise necessary to ensure quality service delivery and acceptable financial performance. To fully meet the assortment of service and program expectations exhibited by a widely varied patronage, it will also be important that the management model utilize a mix of delivery approaches. To this end, the structure of the management team should be flexible and adaptable because the needs of the facility's clientele will likely change over time.

For the purposes of this examination, the management structure would involve four business units. Each unit would have specific and identifiable target audiences and would employ staff with the skills and training unique to the particular service environment. The independent business unit approach allows for each discipline to be viewed as a “single project”, which can be examined on its own merits. Consolidated units under one roof provide a number of cost advantages resultant from economies of scale, especially in terms of a central management team. The business units would be:

- **Central Services:** A team of managers and supervisors that would oversee operations of the entire complex.
- **Arena:** A unit that would oversee ice rentals and programs as well as complementary services available from a new twin pad ice facility – one surface would utilize the existing Coliseum with the other meeting the deficiencies identified in the needs assessment portion of the study. All costs and revenues associated with the arena would be bundled within one operating unit.
- **Aquatic Centre:** A unit that would oversee all water based activities and dry land training or other pool related programs available from the new aquatic centre. All costs and revenues associated with the new pool would be bundled within one operating unit.

- **Healthy Living Centre:** A unit that would oversee all programs and initiatives related to physical activity, wellness, fitness, and lifestyle choices available from a new centre. All costs and revenues associated with the new centre would be bundled within one operating unit.

The following sections provide details of each of these business units. All financial figures are illustrated in year 2006 dollars.

1.7 CENTRAL SERVICES TEAM

The magnitude of the complex calls for a diversified Facility Management Team that would ultimately be responsible for the entire operation and would develop systems that would allow each business unit to operate toward common objectives. Team members include the Facility Manager, Customer Service and Marketing Supervisor, Maintenance Supervisor and Administrative Clerk. The entire Central Services Team would work to ensure that each business unit employed appropriate management tools for setting priorities, monitoring results and increasing productivity through the implementation of effective operating techniques. The Manager would motivate the Team to work with each business unit in the pursuit of synergistic results.

Expenses associated with the Central Service Team would be restricted to salaries because supplies and general operating costs would be contained within the budgets of the other three operating units. Salary levels of the Central Service Team are estimated as follows.

Position	Annual Salary (\$)
Manager	55,000
Marketing and Customer Service Supervisor	37,500
Operations Supervisor	35,000
Administration clerk	30,000
Net Annual Income	(157,500)

1.8 ARENA BUSINESS UNIT

Owen Sound's two existing ice surfaces are used to capacity. The needs analysis of this study suggests that there is a certain degree of pent-up demand from users in the community as a result of lack of additional available ice time. Yet, on a cautionary note, the City is currently experiencing a peak in demand as the number of youth is expected to decline slightly over the next 10 years. However, Owen Sound based groups are currently utilizing facilities in other jurisdictions which helps to ease pressures on local rinks. The needs assessment suggests that if it is the City's intention to serve all its residents as well as a portion of those living within the cost sharing municipalities, then a third ice pad can be immediately justified.

Twinning an existing arena would result in economies of scale cost efficiencies not available in a traditional stand-alone single pad configuration. Typically, a twin pad arena's payroll and utility costs can be proportionately reduced by up to 50% (on a per pad basis) compared to single pad facilities. These savings are connected to the integration of service functions, common amenity spaces and the cross-utilization of staff. Additionally, twin pad arenas are often able to attract more special events or tournaments, which can augment revenue streams.

The following assumptions have been employed in the financial projections for a new twin pad facility as part of the new multi-purpose complex:

- Prime-time ice allocation would conform to the use profile of the current Coliseum operation with 76% youth hours and 12% adult hours.
- Five hours of weekly public skating would be available at the complex.
- In accordance with current operating trends, groups and individual renters would book a modest number of non prime-time hours (9.5 per week).
- 95% of prime time would be used on a weekly basis.

- The ice season would be 30 weeks in length.
- Ice rental rates (exclusive of GST) would be as follows: youth prime-time - \$94, adult prime-time - \$138, and all non prime-time - \$75.
- Labour rates would increase by 50% over current expenditures.
- Utility costs would rise by 50% from current expenditures.
- Supplies, repairs and maintenance costs would rise by 20% from current expenditures.
- All revenue and cost items would escalate 2% per year as a result of inflation.

The following table provides the first and fifth year financial projection of the new twin pad arena based upon the preceding assumptions.

	Year 1 (\$)	Year 5 (\$)
<u>Revenue</u>		
Ice Rental	376,542	407,581
Public Skating	11,250	12,177
Miscellaneous	42,900	46,436
Total Revenue	430,692	466,195
<u>Expenses</u>		
Labour	165,133	178,764
Utilities	185,364	200,644
Operations	37,690	40,796
Repairs and Maintenance	63,774	69,031
Total Expenses	451,961	489,217
Net Annual Income	(21,269)	(23,002)

It is noteworthy that the preceding projections are based largely upon existing operating profiles of the current Coliseum facility. Estimates do not take into account opportunities to improve the facility's financial performance by attracting additional tournaments, organizing adult leagues, facilitating special events or other revenue generating initiatives. Although the projected net cost of the new

twin pad facility represents an approximate improvement of \$50,000 compared to the existing Coliseum, it is quite likely that the new management team could derive additional net revenue streams hence augmenting the estimated financial performance (i.e., resulting in a break even or slight profit situation).

1.9 AQUATIC FACILITY BUSINESS UNIT

The community consultation portion of this study revealed significant interest in a new aquatic facility developed in conjunction with a new leisure project. Participants in the community workshop expressed “overwhelming support for a new pool and a multi-use recreation facility”. This sentiment is consistent with the findings of earlier studies either commissioned for or conducted by the Joint Pool Investigation Committee.

According to the Leisure Guide Survey, swimming is one of the top recreational activities enjoyed by Owen Sound residents. It is noteworthy that participation is relatively strong across all age cohorts, which would indicate that a new aquatic facility would have relatively broad community appeal. These findings are completely in line with national physical activity participation profiles, which indicate recreational swimming and lap training are two of the most popular physical activity endeavours pursued by Canadians.

A new pool, developed as part of a multi-use complex has the potential of becoming a major recreational facility serving broad ranges of aquatic, fitness and wellness interests. The operations would most likely balance hours offered for swim lessons with opportunities for recreational (public) swimming, aqua fit programs, fitness lap swimming, special events and rentals. Where possible, the pool could be programmed to accommodate a number of simultaneous uses thereby increasing bather loads and revenues.

The public consultation process also indicated general public support for a partnership between the City and the YMCA regarding the development of a new recreation centre. Although the statistical reliability of existing data does not allow for an accurate estimate of

pool activity, the aforementioned previous studies suggest demand for a new and expanded aquatic facility. YMCA officials have indicated that both membership numbers and drop-in pool use could be expected to grow by at least 24% if a new facility was developed. Officials expressed optimism that if Owen Sound were to follow the path of other comparable jurisdictions that have developed new multi-purpose facilities, the membership roster could climb to significantly.

If the new facility were to be developed in partnership with the YMCA, it is reasonable to expect that the Y would manage the pool consistent with its current operating profile. As such, members would have use privileges of the pool, conditioning/healthy living centre and the various facility amenities in exchange for membership fees (generally paid monthly). Program admission fees (such as swim lessons) would be generally waived for members although fees would apply to certain specialty programs (e.g., yoga, pilates, etc). Non-members (public) would be able to access the pool on a drop-in basis in exchange for a pay-as-you-go charge. Non-members may also pay additional fees to participate in registered programs on a space available basis.

According to Owen Sound YMCA officials, members' use of the pool for both recreational swim and instructional purposes outweighs drop-in swims and lesson registrations by the general public. Based upon experiences in other jurisdictions that have recently developed new partnered aquatic facilities, it is reasonable to expect that a new pool in Owen Sound would attract at least 25,000 annual bathers for recreational swims. This would represent an annual bather ratio of 1.17 visits per capita of City residents or 0.6 visits per capita of residents in the total service area. While annual bather ratios vary between jurisdictions across the country, our experience suggests that in communities similar to Owen Sound between two and four annual recreational swim occasions per capita could be expected. Given that there are other recreational swimming options available to residents in the Owen Sound Service Area, the preceding estimates would seem reasonable for the new facility.

For the purposes of this discussion, it is estimated that the aquatic instructional program would attract an average of 500 registrants per session. At this registration level, approximately 10% of the City's children (0-9 years) and teens (10-19 years) – or 5% of the age cohorts throughout the service area – would be involved in swimming instruction programs at the new facility.

It is likely that the introduction of the new pool would impact bather traffic and instructional registrations at other existing pools in this service area. However, it is impossible to accurately predict the degree to which these operations would be affected.

The following assumptions have been employed to project the financial performance of the new aquatic centre:

- Approximately 10% of the child and teen population residing in Owen Sound would participate in instructional programming (500 individuals).
- Children and youth in instructional programs would register (on average) for 2.5 instructional sessions per year.
- Members would represent 75% of lesson participation, while the general public would account for the balance (25%) of instructional registrations.
- Lesson fees would average \$88 per session per non-member registrant.
- Annually, 25,000 bathers would use the pool for recreational swimming, approximately 30% of which would be non-members.
- Recreational swim fees for the general public would average \$4 per visit.
- The pool would be the responsibility of an Aquatic Coordinator who would work with a staff complement of guards and instructors (largely part-time personnel).
- Part-time labour costs are based upon the appropriate guard coverage during hours of recreational swims and the number instructors necessary to conduct the lesson programs.

- Utility costs are based upon water volume of 140,000 gallons and an annual operating cost of \$1.00 per gallon.
- Other operating costs are drawn from comparable examples elsewhere.

The following table provides the first and fifth year financial projection of the new pool based upon the preceding assumptions:

	Year 1 (\$)	Year 5 (\$)
<u>Revenue</u>		
Recreational Swims	30,000	32,473
Lessons	27,500	29,767
Rentals	15,000	16,236
Total Revenue	72,500	78,476
<u>Expenses</u>		
Labour	215,000	232,723
Utilities	140,000	151,541
Operations	25,000	27,061
Total Expenses	380,000	411,324
Net Annual Income	(307,500)	(332,848)

It is noteworthy that swimming pools serving the general public generally require an operating subsidy. Indeed, a 25-metre indoor municipal pool offering the customary mix of recreational swimming, instructional programming and rentals could be expected to lose as much as \$150,000 per year. The primary difference between the preceding financial projections and a typical municipal operation is that the revenue produced from lessons and recreational swimming is significantly reduced by the all-inclusive nature of a YMCA membership, thereby offsetting a large portion of the usual income derived from swim passes or instruction. However, under the management approach contemplated for the partnered multi-purpose facility, this foregone revenue would be realized through the sale of Y memberships (see membership revenues identified under the Healthy Living Centre Business Unit).

1.10 HEALTHY LIVING CENTRE BUSINESS UNIT

The Canadian Fitness and Lifestyle Research Institute estimates approximately 14% of the Canadian population are members of public, commercial and not-for-profit recreation, fitness and sports centres. This ratio of members versus the total population is commonly referred to as the penetration rate. In 2002, the International Health, Racquet and Sportclub Association estimated that approximately 14.1% of the population over six years of age was a member of a parks and recreation centre, hospital fitness centre, YM/YWCA, college and university centre, or a commercial club. Applying a standard penetration rate (14%) to the residential and workplace populations within the primary and secondary markets of a facility helps to determine the total number of potential members available to the organization. This percentage has been included in calculations of the possible member potential of the proposed centre.

Although the new conditioning facility would cater to individuals who fall into a broad range of age categories, it is likely that the majority of members would be between 20 and 54 years of age. While programming initiatives and other techniques may be capable of attracting a larger proportion of younger and older cohorts, the lion share of the centre's users would probably arise from the historical age profile of fitness centre patrons.

Based upon an adult population in the target age categories who reside in the City of Owen Sound and utilizing a penetration rate of approximately 14%, it would be reasonable to expect that there is a potential member pool of about 2,250 individuals interested in fitness or physical conditioning. Expanding the service area to include Georgian Bluffs and Meaford would increase this potential member pool by an additional 2,000 individuals. However, it would be unlikely that the new facility would be capable of attracting this entire group, as it would require a substantial migration from fitness facilities that fitness enthusiasts already patronize.

YMCA officials report that the current membership roster is in the range of 2,750 members, approximately a third of which are children

or youth. About 65% of the current members reside in Owen Sound while, collectively, Georgian Bluffs and Meaford residents account for another 25% of the membership roster. Only about 10% of Y members come from outside of the service area.

Based upon the existing membership demographic profile, the new multi-purpose facility would likely begin with an adult membership base of approximately 1,800-2,000 individuals – 1,200-1,300 of which would be Owen Sound residents. As is typically the case with any new facility of this sort, promotional, communications and marketing efforts will likely be used to attract additional individuals from the potential member pool in the surrounding markets.

However, it is noteworthy that people join the Y for reasons other than fitness and conditioning. Therefore, in combination, the appeal of a modern and attractive multi-purpose facility as well as the general, educational and community based programs and services normally offered by the YMCA could easily increase the percentage of individuals that would be potential Y members.

Retaining members is the single most important factor in the financial success of membership-based organizations like the YMCA. It has been proven that the most successful approach to maximizing member retention is not a single program or last ditch effort to keep the participant coming back, but rather a well orchestrated, long-term relationship-building philosophy that is embedded into the day-to-day management of the facility. Cultivation of a caring environment coupled with consistent attention to the details necessary to guarantee the delivery of top quality services are vital ingredients to a retention-oriented operation.

Despite best efforts, the fitness industry's average retention rate is between 60% and 70%. In other words, a facility with a membership base of 2,000 individuals would be required to sell between 600 and 800 new memberships per year simply to make up for the number of people who decided not to renew their relationship with the facility. This is extremely troubling in small markets where the number of potential members is limited. Given that income derived from members will be the single largest revenue

stream of the proposed new multi-purpose facility, it will be exceedingly important that the management team remain vigilant and focused on the implementation of a fulsome member retention strategy.

The following assumptions have been employed to predict the operating and financial performance of a new conditioning/healthy living centre developed as part of the multi-purpose recreation facility:

- The conditioning centre would be accommodated in 10,000 square feet, approximately 1,500 of which would be dedicated to a group exercise area (aerobic room) with the balance of the space being used for strength training machines, cardiovascular equipment, free weights, core training, etc.
- The fitness facility would open with 2,000 adult and 1,000 children/youth members. Thereafter, the facility would sell 700 new adult and 325 children/youth memberships per year.
- Retention rates would rise from 66% in the first year of operations to 69% in year five.
- Each new adult member would pay a joining fee of \$25 beginning in year two of operations.
- The facility would realize \$400 in annual revenue for each adult member and \$200 for each child/youth member. This anticipated revenue per member is about 8% below the average relative annual membership fee to account for the downward income pressure caused by short term memberships, mid term cancellations, member subsidies, etc.
- About 5% of the members would participate in revenue generating program such as personal training.
- Utilities for the conditioning/healthy living centre are estimated based upon \$6.50 per square foot of floor space.

- The marketing and promotions budget is expected to climb after the first year of operations (from \$25,000 in the first year to \$75,000 in year two) to support an aggressive new membership sales program and member retention strategy.
- The group exercise class schedule would include an average of four classes per day of varying types of programs such as aerobics, yoga, etc.
- The operation would be the responsibility of a Fitness Manager who would work with a team of specialists including group exercise leaders (such as aerobic instructors), personal trainers, fitness coordinators, etc.
- A fitness coordinator would supervise the training and workout area during each prime-time hour. Coverage would be reduced by 75% for non prime-time hours.
- All other operating expense projections are based upon similar operations elsewhere.

The following table provides the first and fifth year financial projection of the new conditioning centre based upon the preceding assumptions:

	Year 1 (\$)	Year 5 (\$)
Members	3,000	3,157
<u>Revenue</u>		
Joining Fee	0	17,500
Memberships	1,000,000	1,289,482
Class and Guest Fees	10,000	12,155
Programs	20,000	24,310
Miscellaneous	50,000	58,623
Total Revenue	1,008,000	1,384,570
<u>Expenses</u>		
Labour	307,060	332,371
Operations	157,000	210,507
Total Expenses	464,060	542,878
Net Annual Income	615,940	841,691

The preceding projections assume that the management team described in the Central Services section would oversee the facility. Therefore, although the net income of the condition/healthy living centre appears impressive, a significant proportion of the administration labour cost could legitimately be apportioned to this operating unit.

It is assumed that the organization would be able to maintain estimated membership levels throughout the course of each 12-month fiscal period and that month-by-month fluctuations in either the adult or child/youth member rosters would not have a significant impact upon membership revenues.

The projections also assume that the majority of conditioning and healthy living centre activity would arise from members as opposed to drop-in guests. Additionally, to protect the revenue certainty associated with membership fees, it will be important that pay-as-you-go traffic does not inhibit the facility's capacity or the organization's ability to adequately serve its members. Consequently, it will be important for the management team to balance its focus on serving the community to the fullest extent possible, while providing top-notch quality services to its members – which will be essential in maintaining acceptable member retention performance.

1.11 CONSOLIDATED FINANCIAL PROJECTIONS

The combined operations of all facility components and programs in the new multi-purpose facility would produce first-year net operating proceeds of about \$130,000. Based upon the operating and pricing assumptions described in previous sections, the net revenue would increase to approximately \$315,000 by the fifth year of operations. It is noteworthy that decisions associated with adjustments to pricing, policies, programs, schedules, allocation and participant profiles could either positively or negatively influence the facility's operating performance.

The following table illustrates the financial performance of the facility in the first and fifth year of its operations:

	Year 1 (\$)	Year 5 (\$)
<u>Revenue</u>		
Arena	430,692	466,195
Pool	72,500	78,476
Conditioning/Healthy Living Centre	1,008,000	1,384,570
Total Revenue	1,583,192	1,929,241
<u>Expenses</u>		
Central Services	157,500	170,483
Arena	451,961	489,217
Pool	380,000	411,324
Conditioning/Healthy Living Centre	464,060	542,878
Total Expenses	1,453,521	1,613,903
Net Annual Income	129,671	315,338

1.12 FUNDING THE NEW FACILITY

We understand that a number of funding scenarios have been discussed by the YMCA, community groups and municipal officials. However, to date, we are not aware of a firm funding commitment or reliable fund-raising initiatives that could underwrite a substantial portion of the facility's development cost.

Very preliminary estimates suggest that the total construction and development cost of the multi-purpose facility would amount to between \$18M and \$20M. The public has expressed a degree of support for the project and, therefore, it would be reasonable to assume that a well-orchestrated fund-raising campaign might be successful in raising a portion of the total project construction cost. Also, there may be future opportunities to access funds from programs available through senior levels of government – although currently, there is no provincial or federal dedicated recreation infrastructure-funding program. Finally, the municipality may consider the project as part of its long-range capital funding program and also solicit capital contributions from its adjacent cost-sharing municipalities.

In similar situations in other communities, project partners have considered financing a portion of capital costs when fund-raising efforts or access to senior level funding programs was insufficient to underwrite the cost of the development. Based upon a conservative municipal borrowing rate of 6% and assuming a 20-year amortization, projected net proceeds from operations would only be capable of covering debt service charges for amounts of between \$2M and \$3M in financed capital. **Therefore, the project would only seem financially viable if virtually none of the required capital funds attract interest or debt service charges, unless the City and its partners are willing to incur significant interest charges on a long-term basis.**

It would be important for municipal officials to consider a number of other issues related to development decisions for the new multi-purpose facility, including the following:

- Owen Sound represents a relatively small market for a large facility of this sort. In order to reach the projected revenue levels, the facility must reach retention rates equivalent to the top performing recreation centres in the province. Furthermore, the operator would be required to sustain these retention rates over time in order to realize the projected revenue streams; Owen Sound's relative isolation may be a positive factor in attaining high retention rates. From the information we have been provided about current operations in the City, it would not be unreasonable to assume that a new multi-use complex can sustain the capture rates and revenues proposed in this report, however, it is imperative that these assumptions be reviewed and validated by the City and its partners.
- The size of the local market does not offer sufficient potential members to support two large wellness operations. Therefore, the development of a conditioning and healthy living centre as part of the new complex would necessitate that the current YMCA operation be discontinued.

- To fulfill the projected financial performance, the two ice surfaces would be required to operate at approximately 95% capacity for the foreseeable future. While this may be achievable, it bears noting that it represents a 50% increase in prime time rentals over current levels.
- The development of the indoor pool would have a detrimental impact (quantifiably unknown) on the operations and financial performance of the City's other swimming venues (e.g., Harrison Park pool, private facilities).
- Commitment from the adjacent municipalities to this project needs to be secured and quantified.

1.13 NEXT STEPS

This Discussion Paper is intended to frame several issues and considerations relating to the development and operation of a multi-use facility in the City of Owen Sound. In terms of next steps, we recommend that the City share this discussion paper with the Joint Pool Investigation Committee and work towards:

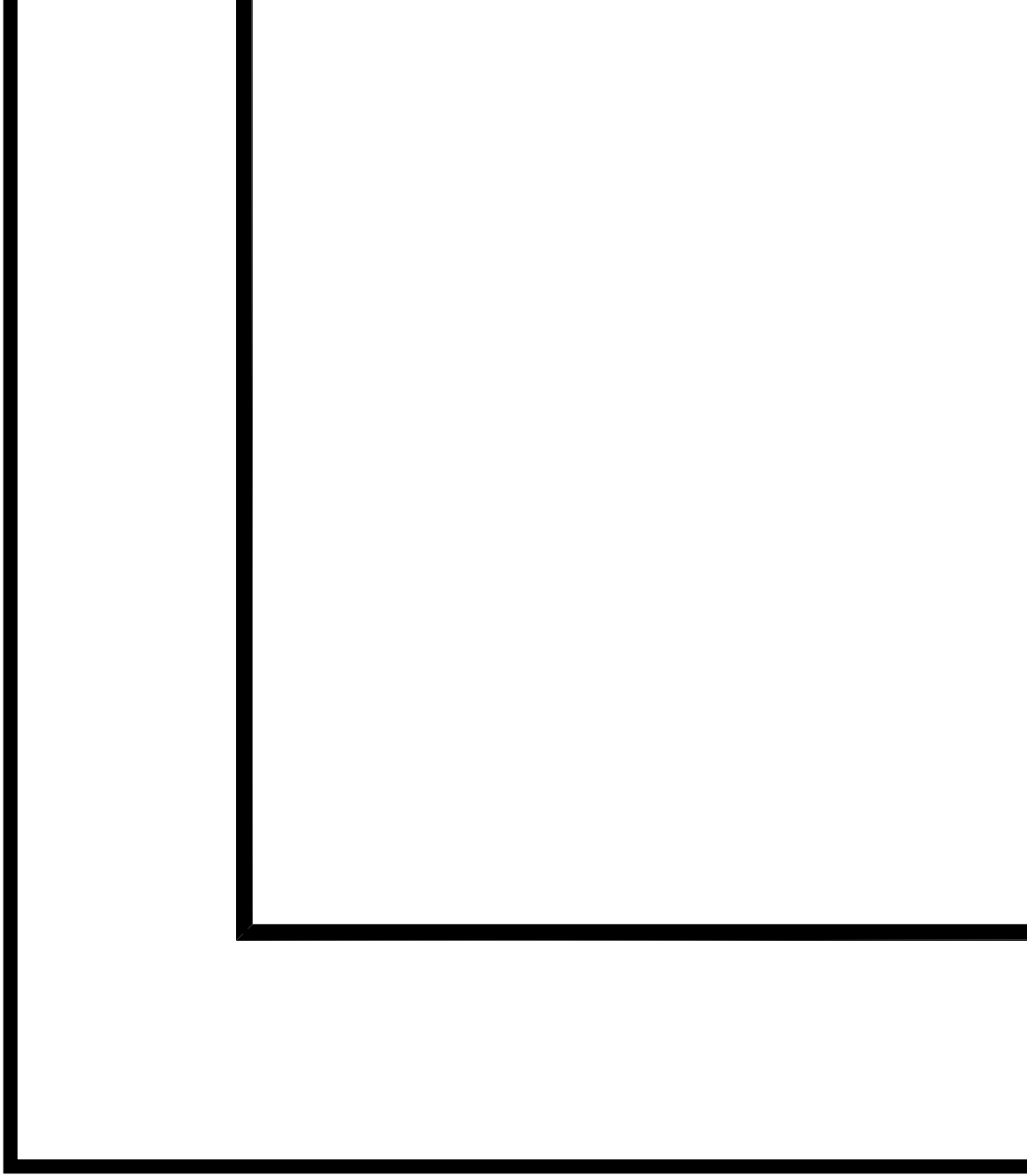
- 1) validating the accuracy of the assumptions contained in this discussion paper; the City and its partners should verify that the assumptions are generally consistent with their expectations;
- 2) initiating discussions to crystallize the facility concept and explore capital estimates and funding options for the proposed facility (e.g., grants, fund-raising, etc.), as well as reasonable expectations for each funding stream; and
- 3) identifying basic partnership principles with the Joint Pool Committee and/or YMCA to establish the potential structure of the relationship; other potential partners (e.g., Agricultural Society, school boards, etc.) should also be at the table early on in the process.

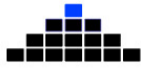
APPENDIX C

PARKS & TRAIL MAPS

Sources:

- City of Owen Sound Official Plan Background Report (Parks, Open Space, Sports Fields, and Neighbourhoods map);
- City of Owen Sound Official Plan (Park Trails Master Plan map)



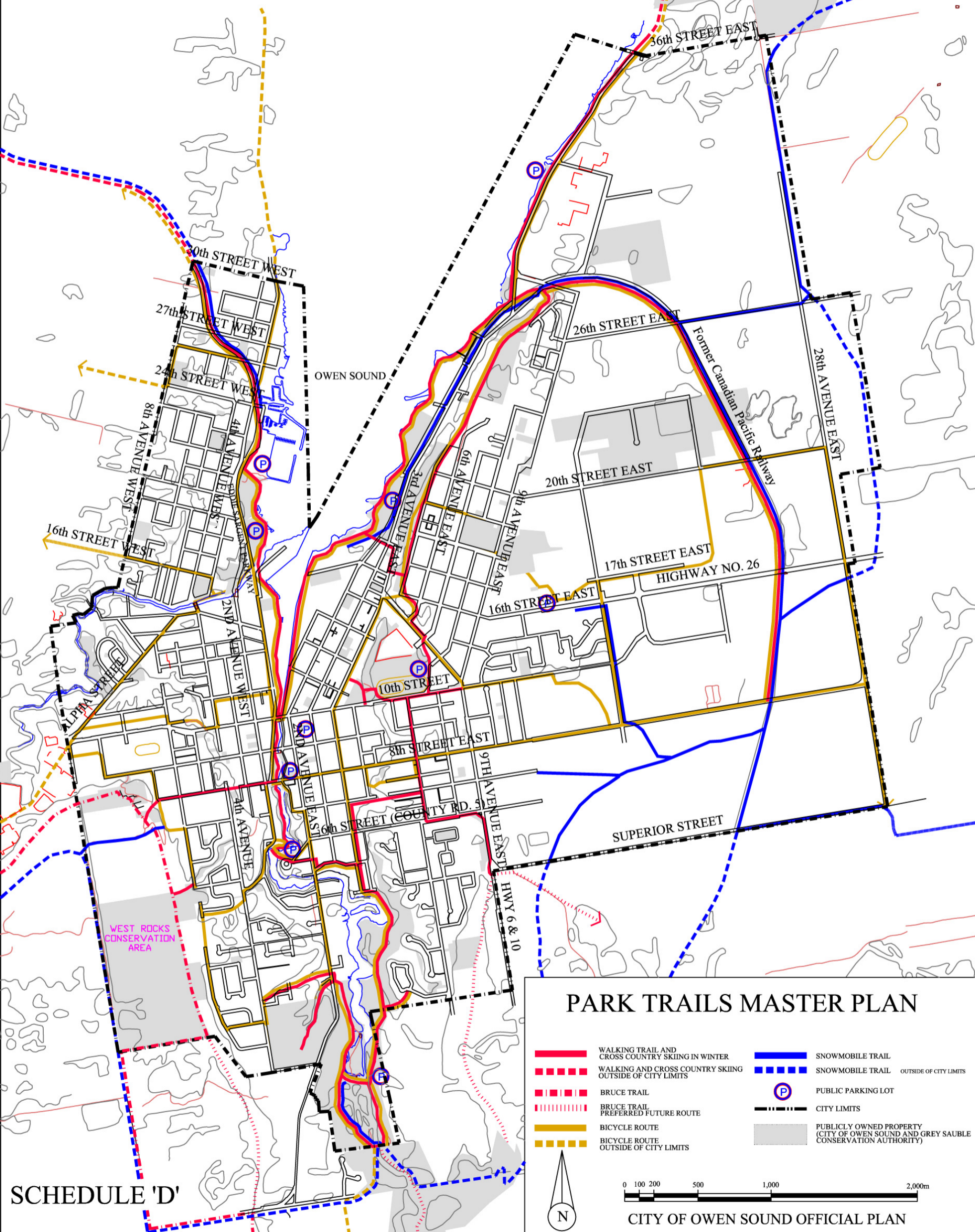


BUILDING YOUR IDEAS - INTO BIG PLANS

THE BIGLIERI GROUP LTD.

PLANNING, DEVELOPMENT & PROJECT MANAGEMENT CONSULTANTS

GEORGIAN BAY



PARK TRAILS MASTER PLAN

- WALKING TRAIL AND CROSS COUNTRY SKIING IN WINTER
- - - WALKING AND CROSS COUNTRY SKIING OUTSIDE OF CITY LIMITS
- · - · - BRUCE TRAIL
- · · · · BRUCE TRAIL PREFERRED FUTURE ROUTE
- BICYCLE ROUTE
- - - BICYCLE ROUTE OUTSIDE OF CITY LIMITS
- SNOWMOBILE TRAIL
- - - SNOWMOBILE TRAIL OUTSIDE OF CITY LIMITS
- P PUBLIC PARKING LOT
- CITY LIMITS
- PUBLICLY OWNED PROPERTY (CITY OF OWEN SOUND AND GREY SAUBLE CONSERVATION AUTHORITY)



0 100 200 500 1,000 2,000m

CITY OF OWEN SOUND OFFICIAL PLAN

SCHEDULE 'D'