

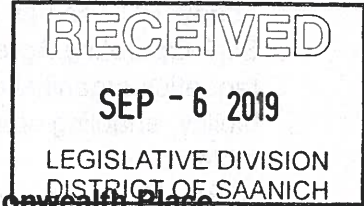


The Corporation of the District of Saanich

C/W 16 Sep 19

Report

To: Mayor and Council
From: Suzanne Samborski, Director, Parks and Recreation
Date: 09/05/2019
Subject: The Future of High Performance Sport at Saanich Commonwealth Place



RECOMMENDATION

That Council receive the report for information and endorse the following recommendations to take effect in 2020:

1. Saanich continue to support High Performance Sport at Saanich Commonwealth Place (SCP);
2. Direct staff to create a new SCP allocations policy that re-balances High Performance Sport and Community use; and
3. Support a revised funding model that includes:
 - a. An increase of \$290,000 per annum in tax subsidization for SCP to replace the expired Trust fund revenue.
 - b. An increase in High Performance Sport generated user-fees escalating from approximately \$20,000 per annum in 2021 to over \$30,000 in ten years (based on a six percent (6%) lift annually through to 2030 and annual increases consistent with fees and charges policy thereafter.
 - c. An increase in revenue generated through increase rental rates for the lower-level, multi-use space through a balance of market and not-for-profit rates.

PURPOSE

The purpose of this report is to provide Council with information on High Performance Sport (HPS) at Saanich Commonwealth Place, and provide Council, for its consideration recommendations for continuing to support High Performance Sport at the expiry of the Saanich Commonwealth Place Operating Agreement in August 2020.

DISCUSSION

SCP's Role

Saanich Commonwealth Place is a District of Saanich recreation centre, one of four serving Saanich's 114,000 residents. It is managed and operated by the District's Parks and Recreation Department.

Initially imagined in 1991 as a community recreation facility to serve residents in Saanich's northwest quadrant, agreement between the District, the Victoria Commonwealth Games Society, the Province of British Columbia and the Government of Canada, resulted in SCP becoming a community recreation centre with High Performance Sport components, enabling it to be the aquatics venue for the XV Commonwealth Games.

Today, SCP serves Saanich's growing and changing population and, under terms of the original SCP Operating Agreement between the above parties, five (5) High Performance Sports (aquatics organizations) supporting approximately 900 community athletes. It is a unique facility, enabling community patrons to exercise and train side-by-side with high performance athletes.

Opened in 1993, SCP welcomes more than 800,000 annual users and local, regional, national and international athletes and spectators to competitive aquatic events.

SCP is home to the National Swim and Triathlon Centres. High Performance Sport clubs hold their regular training and practice sessions at the facility and the clubs host between 40-50 annual competitions (from regional to national meets) at SCP, drawing provincial, national and international visitors to Greater Victoria.

Many of the athletes and coaches who use SCP through the HPS programs, have represented Canada at international meets including the 2012 London Games and 2016 Rio Summer Olympic Games, and, most recently, the Pan Am Games 2019. Several athletes are on track for the 2020 Olympic Games.

These athletes are residents of Saanich and neighbouring. The high performance programs provide a high level of services that are not otherwise available in the Capital Regional District.

Saanich's \$6.5 million capital funding for the facility's construction was authorized in a 1991 borrowing referendum approved by Saanich residents. Subsequently, the District entered into agreements with the Victoria Commonwealth Games Society, the Province of British Columbia and the Government of Canada for additional funding, which contributed additional capital funding to construct the high performance sport components, specifically the 8-lane, 50-metre pool, the dive tower and diving tank.

In 1994, the District entered into a 25-year commitment to support High-Performance Sport, as part of a region-wide responsibility to leverage the Commonwealth Games' legacy. As part of the commitment, the Government of Canada, the Province of British Columbia and the District of Saanich entered into a 25-year SCP Operating Agreement.

The tri-party agreement includes a \$4 million Trust Fund to help underwrite operational costs of High Performance Sport components within Saanich Commonwealth Place. Established as a sinking fund, the Trust was created through \$1.5 million contributions from each of the two senior governments and a \$1 million contribution from the District. The fund provides \$330,000 annually to Saanich to help offset SCP facility operational expenses.

Under the SCP Operating Agreement, HPS has priority access, at significantly below market rates, to SCP's competitive zone areas. HPS Clubs use an equivalence of 60,000 hours of pool time per year. Through their usage fees, Clubs contributed \$296,000 rental income, exceeding levels forecasted at signing of original agreement.

This income, together with the \$330,000 annual contribution from the Trust Fund, has been critical to meeting SCP operational budget expectations.

Changing these financial parameters has significant impact on SCP's financial and operating performances. As the facility's owner and operator, the District is responsible for all operating and capital costs, regardless of revenue streams or community benefit.

The Saanich Commonwealth Place's future requires a balance between community-identified programs demands and expectations, the District's obligations, if any, to HPS and the District's fiscal realities. In this balance there is opportunity for Saanich to provide both community and regional leadership, recreationally and economically.

Work to Date

In 2017, Council directed staff to review several operating models for SCP service delivery post-2019. Models to be considered were:

- Extending Current
- Sponsorship
- District Funded/Market Rate
- Community-Focused

Council also directed staff to open discussions with the provincial and federal governments and to explore a renewal of the SCP Operating Agreement, including new funding.

To assist, staff retained "Third Foundation Consulting" to provide analysis and advice on the possible operating models, and their ability to realize SCP's performance expectations and operational and financial obligations and targets. The "Third Foundation Consulting" report provides insights into four operating models (see **Appendix A** for detailed report).

Discussion with Provincial and Federal partners resulted in an extension of the Operating Agreement to August 2020 and an injection of \$100,000. After ongoing discussions, no additional senior government funding has been indicated.

Recommendations:

The following recommendations are a hybrid of the models reviewed by Third Foundation based on evolving information and consultation with partners and community.

1. Saanich continue to support High Performance Sport at Saanich Commonwealth Place

Implications and considerations

Saanich Clubs and High Performance Sport programs support more than 900 local athletes annually through the program. The majority of those participants are local and regional residents who do not differentiate the services provided by clubs from Saanich-delivered programs.

The clubs provide a service that would not be feasible in the Saanich delivery system without a significant increase in resources at a corporate level. Clubs utilize high numbers of local volunteers and parents to support this delivery system. In addition, they access funds that allow them to grow and support program development. This service to residents is a good value-for-money.

Success at National and International levels is tied closely to access to water and training facilities at Saanich Commonwealth Place. The success of SCP-based athletes at the 2019 Pan Am games demonstrates the effectiveness of this program. With 10 Saanich Commonwealth athletes attending and many medaling it's hard to deny to value of the partnership.

While it is not a District mandate to deliver provincial or provincial level programs the success of these athletes creates a sense of community pride throughout Saanich. Despite the perception that High Performance Sport programs limit access to prime water, according the 2019 Recreation Market Analysis Study, residents recognize and value of High Performance Sport at Saanich Commonwealth Place.

The federal and provincial government's commitment to national and provincial programs at Saanich Commonwealth Place is driven significantly by their understanding and confidence that Saanich will provide a long-term stable home for the current and future development programs.

Saanich residents, through the Recreation Market Analysis Study have also clearly indicated their strong desire for more and better access to Saanich Recreation programs, activities, services, experiences and facilities. Aquatic sport supports approximately 3 500 registrations annually through club activities, meets and school programs. Of those registrations, 30 are carded athletes eligible for provincial or federal funding programs. The remaining athletes are members are children, youth and adults who participate all varying levels of skill and ability and are mostly Saanich residents.

Better communications about club level programs can help educate the public about the value of these programs to local residents. Currently High Performance Sport uses and equivalence of 60,000 hours (58%) of water space in the eight lane pool, 50-metre pool. Converting all, or portions of, this water into community-based programming would require additional SCP staffing and resources and may not result in filling the space. Loss of revenue associated with decreased High Performance Sport use could result in a further deficit in SCP's operational budget.

2. Direct staff to create a new SCP allocations policy that re-balances High Performance Sport and Community use.

Implications and considerations

Reframing facility access and releasing facility components from their current HPS dedication can create new, low-cost, opportunities for Saanich residents and their pursuit of healthy life-styles while still maintaining a strong High Performance program. This balance can be achieved by streamlining and better coordinating meets and training events.

As part of a new allocations policy the District will have the ability to decline swim meet requests based on operational need. For example, staff will be reviewing the types of meets offered, streamlining meets and events, reducing the number of meets on weekends and capping attendance at some meets.

These changes would create more space and time for public during weekends which is currently a common public complaint.

Staff will work with HPS and Clubs to streamline pool use and maximize space usage during weekly prime time, allowing for access by the public to what is considered prime time.

These changes would be done in consultation with current users as part of the development of a new allocations policy.

3. Support a revised funding model that includes:

- a) An increase of \$330,000 per annum in District tax subsidization to replace the expired Trust fund revenue.

Implications and considerations

Saanich will assume the full \$330,000 of funding required to support High Performance Sport at SCP. This results in a \$290,000 increase effective 2020 as \$40,000 was added to the budget in 2019.

As we phase in rate and rental increases we will be reporting back how this increase may reduce our annual budget and provide relief to taxation over the long term. This will need to be balanced against inflationary cost of operations and escalating cost of maintaining the aging infrastructure to support High Performance events.

Increased pool-generated revenue will be targeted to mitigate inflation and maintain the aging infrastructure.

- b) An increase in High Performance Sport generated user-fee based revenue (estimated at approximately \$20,000 to \$30,000 per annum over ten years, based on a six percent (6%) lift annually through to 2030 and annual increases consistent with fees and charges policy thereafter.

Implications and considerations

HPS has enjoyed an annual increase of approximately one percent (1%) annually for 25 years. This rate structure has resulted in a depressed lane rate, not in keeping with facilities locally or nationally.

An annual 6% increase would bring rates from \$5.25 to approximately \$9.56 per lane by 2030. While still significantly below market and National comparatives, over the long term it will offset the overall gross subsidy through taxation.

This artificially low rate has allowed clubs and sport to grow to one of the largest programs in BC as well as produce world class athletes.

Sport club and national/provincial operating models have relied on this rate structure to divert funds to attract high calibre coaches. Increases in lane rates will be highly sensitive as clubs try to balance budgets to maintain their level of participant engagement, attract coaches and maintain affordable fees for participants.

Setting rates at reasonable increases will ensure Saanich families are able to afford to continue training and participate aquatic competitions. Escalating the rate increase too quickly would likely result in many clubs becoming unviable or families no longer able to afford to participate.

For context, it took 25 years create this dependency on reduced lane rate and the District should anticipate that restablising market rates will take a minimum of 10+ years. The slower the rate of implementation the easier it will be for clubs to re-envision their business models while maintaining the excellent programs delivery systems.

Saanich Commonwealth Place's role as an economic contributor is equally valued, as it acts as the host venue for increasing numbers of local, regional, national and international events like Pan Am Games, BC Seniors Games and potentially, future Invictus Games.

Events hosted at SCP by High Performance Sports groups and others contribute substantially to the regional economy. Victoria Tourism estimates an economic impact of \$21 million annually in the CRD. High Performance Sports organizations based at SCP spend \$4-million per year in the community. This money is spent on coaching, pool fees, administration, strength and conditioning. HPS programs employ 129 coaches and hundreds of volunteers.

- c) An increase in revenue generated through increase rental rates for the lower-level, multi-use space through a balance of market and not-for-profit rates.

Implications and considerations

SCP includes approximately 3,300 square feet of multi-use space on its lower level. This space has potential to generate \$80,000 per annum in rental income for the District.

The multi-use space was, as part of the original SCP Operating Agreement, originally allocated to the former Commonwealth Centre for Sport Development, which has subsequently evolved in the Pacific Institute for Sport Excellence (PISE), currently headquartered at Camosun College's Interurban Campus.

PISE, on its own accord, has sublet the space to a variety of program partners, including national and local sport programs.

There is a strong sentiment among sport organizations that this space should be maintained as a legacy for sport.

Current sub-tenants pay approximately \$16,000 annually to offset the space's utility costs. The tenants could qualify for District not-for-profit rental rates that are 50 percent of market rate. Market rate is estimated at \$80,000 per year; applying the 50 percent discount would result in an effective increase of \$24,000 from current levels.

By applying increased rental rates and by reassigning portions of the multi-use space for community, the District will create a more appropriate balance between community expectations, the District's desire to receive fair compensation for use of its facility, and sport's interests in continuing as an SCP tenant.

Council could consider the following options when allocating this space:

- Be priced for rental at market-rates,
- Continue as dedicated legacy sport space at deep discount rental rates (less than 50 percent), or
- Be assigned as community rental space at rates consistent with Fees & Charges Policy or
- A combination of the previous two uses (sport legacy and community use) at District approved Fees and Charges.

Changing the primary use of this space may generate significant resistance at a sport and club level. Staff recommends a balanced approach to this space similar to the water allocations with the goal to retain some of the space for Saanich use. For example, legacy and current sport could be invited to remain at not-for-profit rates, groups related to, but not directly involved with High Performance Sport would be asked to pay market rates, and others could be determined during the course of the discussions.

Council could consider applying annual rental fee increases over the next six years to provide the groups time to make adjustments to their operations.

ALTERNATIVES

1. That Council receive this report for information only.
2. That Council provide alternate direction to Staff.

FINANCIAL IMPLICATIONS

Implementation of the recommendations and becoming the exclusive supporter of high Performance Sport at SCP will result in a budget increase of \$290,000 or almost nine percent (8.8%) to SCP's Centre's 2019 operating budget. This equates to a property taxation lift of .23% in 2020.

While some portion of rate and rental increases will provide relief to taxation over the long term, it will need to be balanced against non-discretionary inflationary costs of operations and capital costs to maintain the aging infrastructure to support High Performance events.

STRATEGIC PLAN IMPLICATIONS

Saanich Commonwealth Place plays an integral role in helping achieve Saanich's goals, including **Social Well-being** and **Economic Vibrancy**. SCP is a hub of community activity and connection.

The human and social benefits that individuals, families and the community receives are evident, measureable and well documented.

Saanich Commonwealth Place's role as an economic contributor is significant in the CRD.

Currently Saanich Commonwealth place generates more than \$300,000 per year through revenue for training and hosting competitions, a more than threefold increase from \$75,000 (*\$105,000 inflation adjusted*) in 1994. Reduction in water access by clubs and HP programs could result in further revenue reductions and increasing reliance on municipal funding.

CONCLUSION

Saanich Commonwealth Place is one-of-four Saanich owned-and-operated community recreation facilities. It is the only one with intentionally designed High Performance Sport components, including training, competition and spectator facilities.

High Performance Sport groups have been significant Saanich Commonwealth Place users since the facility opened in 1993.

The Saanich Commonwealth Place Operating Agreement (1994) between the District, BC and Canada that outlines High Performance Sport use expires in August 2020, after 25 successful years. The \$330,000 annual subsidy that the District receives from the Commonwealth Pool Operating Trust Fund also ends at that time.

Apart from the limited one-year- only transitional funding from Provincial government, no long-term agreement has been entertained or agreed by either the Province of British Columbia or the Government of Canada.

Council must determine Saanich Commonwealth Place's optimum balance between community use, High Performance Sport use, revenues and District-provided subsidies.

To ensure adequate planning and lead-time for staff to prepare and complete the necessary changes for implementation in September 2020, it is requested that Council approve the recommendations so that discussions with Saanich users can begin.

High Performance Aquatic Sports at Saanich Commonwealth Place



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Executive Summary

In 1991, the District of Saanich (“Saanich” or the “District”) entered into an agreement with the Victoria Commonwealth Games Society (“VCGS”) to construct the Saanich Commonwealth Pool (“SCP”) for use during the 1994 Commonwealth Games and by Saanich thereafter.

In 1994, the District along with the federal and provincial governments signed the SCP Operating Agreement (the “Operating Agreement”) which provided for the long-term operation of the high performance training and competition components of the SCP. The SCP is located within Saanich Commonwealth Place, a multi-purpose recreation complex.

The initial 25-year term of the Operating Agreement expires in August 2019, with some extension funding in place through to fiscal 2020. The District has been planning for the expiry of the Operating Agreement and engaged Third Foundation to assist with the development of a base operating cost model for the facility and analysis of possible operating models after expiry of the Operating Agreement.

Funding of Base Operating Costs

In 1994, Saanich estimated that it would cost approximately \$1 million annually to heat and maintain Saanich Commonwealth Place. Of this amount, Saanich estimated that \$330,000 related to the operation of the High Performance Area (“HPA”). Under the Agreement, the federal and provincial governments each contributed \$1.5 million and Saanich contributed \$1 million to the Commonwealth Pool Operating Trust Fund (“CPOTF”), from which \$330,000 was drawn annually to cover the HPA operating costs. High Performance Clubs (“HP Clubs”) were expected to contribute approximately \$75,000 annually through lane rentals. Approximately \$42K of these lane rentals was to be used to fund capital expenditures for the HPA and the balance to offset Saanich’s other operating costs for Saanich Commonwealth Place.

The contributions of the funders as reflected in the initial operating model are shown in the following table:

Funding as a % of HPA Energy and Maintenance costs	1994
District of Saanich (including CPOTF)	13.32%
High Performance Clubs - Booking Revenues	20.16%
CPOTF - Federal portion (including OTP)	33.26%
CPOTF - Provincial portion	33.26%
	100.00%

Since 1994, energy and maintenance costs for Saanich Commonwealth Place have grown from the initial estimate of \$1 million to \$2.344 million budgeted for 2018. For 2018, the cost allocation to the HPA is \$977K. Through the term of the Operating Agreement, the contribution from the CPOTF has remained at \$330K annually, resulting in Saanich’s contribution to HPA costs increasing each year, reaching 39% by 2018.

Scenario Analysis

In considering possible scenarios for future operating models for the HPA, we focused on three operating models identified by Saanich Council and an additional model proposed by Parks and Recreation Division staff. The key attributes of the models are reflected in the following table:

	Extension of Current Model	Community Model	District Model	Market-Rate Model
HP Clubs have booking priority	✓	✗	✓	✓
HP Clubs pay market rates	✗	Partially	✗	✓
HP Clubs have low-cost access to administrative space	✓	✗	✓	✓
Senior Governments contribute	✓	Transition	Transition	Transition
HP Clubs reduce administrative space	✗	✓	✗	✗

Base operating costs for the HPA remain the same for all operating models evaluated. As the pools must be heated and maintained at all times, regardless of usage, energy and maintenance are essentially fixed costs. The primary purpose of the operating model analysis was to consider the funding implications for Saanich and other funders of different assumptions. The following table reflects the relative funding levels for the 2018 base year and projected years of 2019 – 2023 for each of the operating models evaluated:

Saanich Contributions by Model	2018	2019	2020	2021	2022	2023
Extension of Current Model	39%	39%	39%	40%	40%	40%
Community Model	39%	41%	59%	64%	63%	62%
District Model	39%	44%	67%	73%	73%	73%
Market-Rate Model	39%	37%	53%	52%	46%	40%

The funding levels for HP Clubs for each of the operating models are shown below:

HP Clubs Contributions by Model	2018	2019	2020	2021	2022	2023
Extension of Current Model	28%	28%	27%	27%	27%	27%
Community Model	28%	31%	28%	29%	30%	31%
District Model	28%	28%	27%	27%	27%	27%
Market-Rate Model	28%	35%	41%	48%	54%	60%

The scenario analysis indicates that there is a range of possible funding levels for Saanich and HP Clubs that allow for the continued presence of high-performance aquatic sports at Saanich Commonwealth Place. Readers are cautioned that the projections are based upon assumptions about future events which may vary significantly from actual events.

In the Community and Market-Rate Models, there is a significant risk that HP Clubs will reduce their facility usage in the face of increased lane rates and that revenue projections in these models may not be realized.



Scope and Objectives

Background

In July 1991, the District of Saanich (“Saanich”) entered into an agreement with the Victoria Commonwealth Games Society (“VCGS”) to construct the Saanich Commonwealth Pool (“SCP”) for use during the 1994 Commonwealth Games and by the District thereafter. In 1994, the District along with the federal and provincial governments signed the SCP Operating Agreement (the “Operating Agreement”) which provided for the long-term operation of the high performance training and competition components of the SCP. The SCP is located within Saanich Commonwealth Place, a multi-purpose recreation complex.

The initial 25-year term of the Operating Agreement expires in August 2019, with some extension funding in place through to fiscal 2020. The District has been planning for the expiry of the Operating Agreement. In June 2017, The Director, Parks and Recreation Division (the “Division”) reported out to the District’s Council on the status of high performance aquatic sports at the SCP and made two key recommendations:

1. That Council direct staff to:
 - a. Pursue provincial and federal support for the creation of a renewed three-party operating and funding agreement that supports high performance aquatic sports at SCP; and
 - b. Provide a detailed analysis and report the financial, community and resource implications if Saanich continued to support and subsidize high performance aquatic sports at SCP without the assistance of other levels of government.
2. While the District is hopeful that discussions with senior levels of government will lead to a renewed operating agreement, it also recognizes the uniqueness of the funding arrangement and the potential that it may not be renewed. For this reason, Council directed the Division to explore four different operating models for the SCP, including:
 - **Extension of Current Model** – Where senior governments renew their funding of the HPA at current levels;
 - **Community Model** – The competitive pool and diving tank is re-assigned for community use, reducing the time allocated to high performance aquatic sports and rental rates are 70% of market rates;
 - **District Model** – The District would provide all necessary financial and other resources to high performance sport to keep pool allocations at a status quo; and
 - **Sponsorship Model** – Corporate sponsors would be solicited to provide the necessary financial and other resources to support high performance aquatic sports.

In addition to the operating models identified above, the Division considered other future scenarios and added a fifth operating model, the Market-Rate Model, to the analysis. In this model, HP Clubs retain their existing priority access to the facility but transition to full market rates in order to replace funding from the CPOTF.

Scope and Objectives

The scope and objectives of the engagement were to:

- Prepare a baseline analysis of the operating costs of the SCP and high performance area and develop a long-term projection of operating costs;
- Work with Division staff to identify key assumptions and variables related to each of the four operating models;
- Undertake analysis and research as directed by the Manager, Saanich Commonwealth Place to support the development of the key assumptions;
- Develop an Excel-based financial model to project the financial impacts of the key assumptions of each scenario compared to the baseline projection;
- Assist the Division with the preparation of a report to Council on the detailed analysis performed; and
- Undertake any related work as directed by the Manager, Saanich Commonwealth Place.



Baseline Operating Costs

Construction of the SCP

The Operating Agreement provided for the construction of an aquatics/community centre which would combine competition/high performance training areas with recreational, leisure and support space. The facility was planned to include a 50 metre competition pool, a diving tank and warm-up extension with a dedicated, high-performance training and support space.

The total capital budget was \$21.1 million, with \$14.6 contributed by the VCGS and \$6.5 million from Saanich. In addition, Saanich contributed the land which was valued at \$2.5 million.

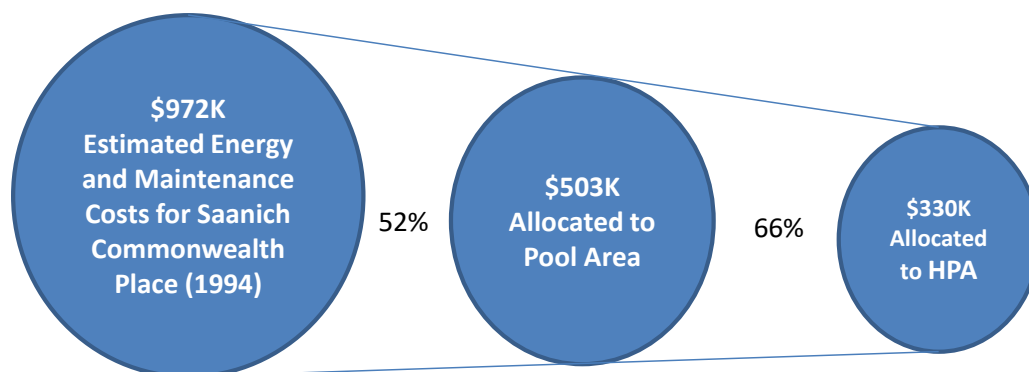
Saanich Commonwealth Pool Operating Agreement

On April 29, 1994, Saanich, the Province of British Columbia and the Government of Canada entered into the tri-partite Operating Agreement for the operation of the High-Performance Area (“HPA”) of the SCP. Key provisions of the Operating Agreement included:

- A term of 25 years, starting on September 1, 1994 and ending on August 31, 2019;
- Saanich responsible to manage, operate and maintain the HPA and the lap pool area, including replacing equipment and making necessary capital repairs;
- The Government of Canada and the Province of British Columbia each to contribute \$1.5 million and Saanich to contribute \$1.0 million into the Commonwealth Pool Operating Trust Fund (“CPOTF”);
- CPOTF funds to be used to pay the costs of energy, maintenance staff, pool water, pool chemicals, custodial supplies and plant maintenance directly attributed to the HPA;
- A High Performance Repair and Replacement Fund (“HPRRF”) to be established funded by net revenues from competitive use (defined to be 20% of the gross rental revenues from use of the HPA by High Performance Clubs (“HP Clubs”) and national, provincial and visiting teams), to be used to fund repairs and maintenance uniquely attributable to the HPA;
- HP Clubs given first option on booking the HPA;
- Administrative space (approximately 3,500 sq. ft.) provided to HP Clubs; and
- The HP Clubs rental rate structures to be “among the lowest charged to high performance users of similar facilities in Canada”, indexed at the Consumer Price Index in Canada.

At the time the Operating Agreement was signed, Saanich estimated that the energy and maintenance costs for the HPA would be approximately \$330,000 per annum, or 34% of the estimated energy and maintenance costs for the entire Saanich Commonwealth Place.

The relationship between the total energy and maintenance costs of Saanich Commonwealth Place and the HPA as estimated in 1994 is reflected in the following diagram:



Based upon the 1994 estimate, \$330,000 has been drawn annually from the CPOTF as a contribution towards HPA energy and maintenance costs. As the amount of \$330,000 was not indexed annually for inflation, the contribution funded a declining percentage of HPA costs over time.

Funding of the HPA energy and maintenance costs were to be funded as follows based upon the 1994 estimates:

Funding as a % of costs	1994
CPOTF - Federal portion	33.26%
CPOTF - Provincial portion	33.26%
High Performance Clubs - Booking Revenues	20.16%
District of Saanich (including CPOTF)	13.32%
	100.00%

In 2012, the parties to the Operating Agreement recognized that the remaining funds would not be sufficient to provide an annual operating subsidy of \$330,000 through to the end of the term. Discussions resulted in additional contributions to the CPOTF of \$750,000 each from the Government of Canada and the Government of British Columbia.

High-Performance Repair and Replacement Fund

The High-Performance Repair and Replacement Fund (HPRRF) provides funds for the repair and maintenance of equipment uniquely attributed to the HPA. The HPRRF is funded annually by Saanich and actual expenditures are charged against the fund. Unspent funds are accumulated in the HPRRF and carried forward from year-to-year.

Funds for the HPRRF are allocated out of the booking revenues received from the HP Clubs.

High-Performance Enhancement Fund

The High-Performance Enhancement Fund ("HPEF") was created through agreement between Saanich and the HP Clubs. While the HPRRF provides for repairs and maintenance to original equipment included in the HPA, it does not provide for new equipment. The HPEF provides funding for new equipment purchases for high-performance aquatics.



The HPEF is funded by a \$5 per-person charge for those participating in competitions at the SCP. These funds, along with related investment income, are accumulated from year-to-year and accessed when new equipment is purchased.

SCP Cost Allocation Model

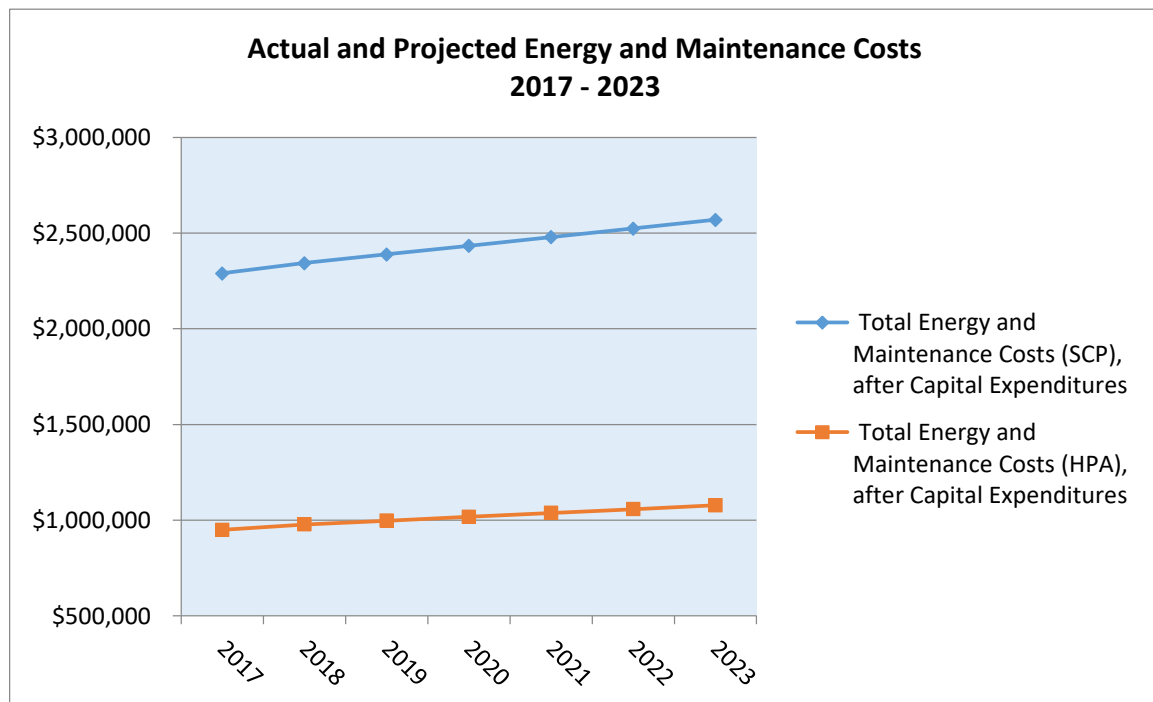
The SCP Cost Allocation Model was developed to provide a baseline analysis of operating costs for the HPA, provide projections of HPA operating costs for the five-years 2019 – 2023 and to analyse the financial impacts to Saanich of the five operating models.

A detailed description of the SCP Cost Allocation Model is included in Appendix A.

A comparison between the allocation methodology used in preparing the 1994 HPA cost estimates and the SCP Cost Allocation Model used for 2018 and thereafter is presented in Appendix C.

Baseline Operating Costs

The following chart reflects the baseline and projected energy and maintenance costs for the SCP and the allocation to the HPA. The cost projections are derived from the SCP Cost Allocation Model and are shown in detail in Appendix B.



Figures for the 2017 fiscal year are based upon actual operating cost information for Saanich Commonwealth Place while figures for the 2018 fiscal year are based upon budgeted amounts. Figures for the 2019 – 2023 fiscal years are projected based upon key assumptions and historical data.

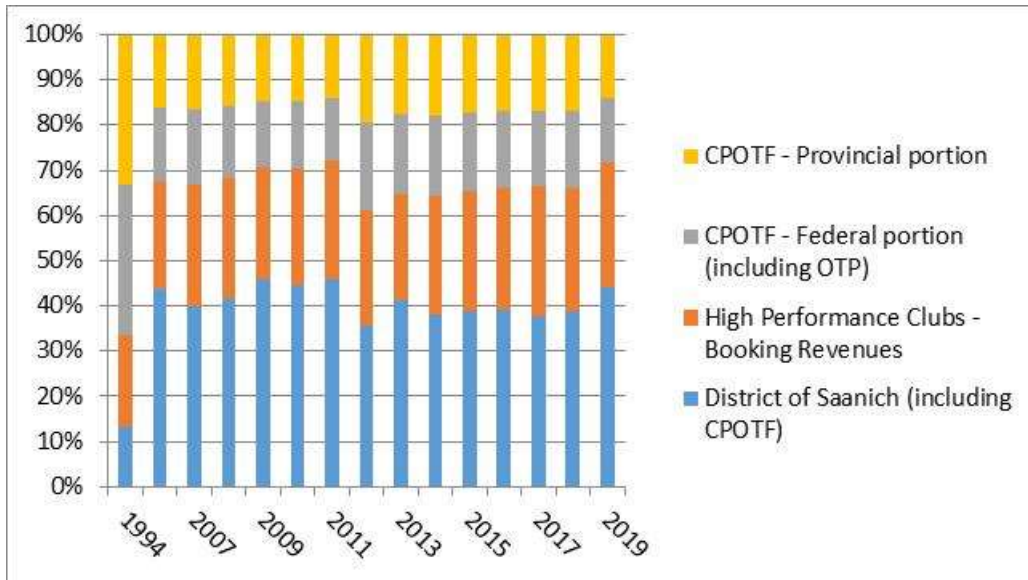
For the 2018 fiscal year, the total energy and maintenance cost for the Saanich Commonwealth Place are budgeted at \$2.344 million and the model allocates \$977K or 41.7% to the HPA. Projections for fiscal years 2019 – 2023 indicate that Saanich Commonwealth Place energy and



maintenance costs may grow to \$2.56 million over the five years, with the allocation to the HPA increasing to \$1.07 million by fiscal 2023.

Table 1 below shows the relative funding sources for the HPA operations for fiscal years -2006 - 2018 (including 1994 base year):

Table 1



As Table 1 shows, financial contributions by Saanich and HP Clubs have averaged approximately 67% over the years 2006 – 2018 compared to the 1994 estimate of 13%. Contributions from senior governments have averaged 33% over that same time, compared to the 1994 estimate of 67%.

Key Assumptions and Variables

In considering possible scenarios for future operating models for the HPA, we focused on three of the operating models identified by Saanich Council and an additional model (“Market-Rate Model) proposed by Parks and Recreation Division staff. The Market-Rate Model represents an alternative approach that staff feels is a viable future funding model for the HPA. The key attributes of the models are reflected in the following table:

	Extension of Current Model	Community Model	District Model	Market-Rate Model
HP Clubs have booking priority	✓	✗	✓	✓
HP Clubs pay market rates	✗	Partially	✗	✓
HP Clubs have low-cost access to administrative space	✓	✗	✓	✓
Senior Governments contribute	✓	Transition	Transition	Transition
HP Clubs reduce administrative space	✗	✓	✗	✗



In evaluating the financial implications of the different operating models, the following key assumptions and variables were used:

Extension of Current Model

In the Extension of Current Model, the key assumptions and variables used were:

- Base operating costs are unchanged;
- Senior government funding is renewed at current levels and are subject to annual increases at the HPA cost index (2.4% per annum average rate over past 16 years); and
- HP Clubs have booking priority and continue to pay lower than market rental rates (estimated to be approximately 1/3rd market rates) with annual increases that maintain their current level of funding.

Community Model

The key assumptions and variables used in the Community Model were:

- Base operating costs are unchanged;
- Senior governments contribute bridge funding during the years 2019 - 2020, to support the transition towards market rates;
- The competitive pool and diving tank are re-assigned for community use, while remaining available to HP Clubs;
- HP Clubs have no booking priority and pay increased lane rates (increasing by 70%) with annual increases thereafter;
- The transition to increased lane rates is spread evenly over the five years, 2019 - 2023; and
- Programs are developed by the Division to optimize revenue potential from the facility capacity and administrative space not used by HP Clubs.

District Model

In the District Model, the key assumptions and variables used were:

- Base operating costs are unchanged;
- Senior governments contribute bridge funding during the years 2019 - 2020;
- Saanich funds high performance aquatic sport to keep pool allocations at a status quo; and
- HP Clubs have booking priority and continue to pay lower than market rental rates with annual increases that maintain their current level of funding.

Sponsorship Model

The key assumptions and variables used in the Sponsorship Model were:

- Base operating costs unchanged;



- No federal or provincial government contributions;
- Corporate sponsors are solicited to provide financial and other resources to high performance sport;
 - Scenario A – Naming rights to Saanich Commonwealth Pool raises \$75,000 per annum; or
 - Scenario B – Naming rights to HPA raises \$25,000 per annum;
- The District will incur sponsorship program costs, estimated to be 20% of sponsorship revenue;
- The District would provide all remaining financial and other resources to high performance aquatic sport to keep pool allocations at a status quo; and
- HP Clubs have booking priority and continue to pay lower than market rental rates with annual increases that maintain their current level of funding;

Market-Rate Model

The key assumptions and variables used in the Market Rate Model were:

- Base operating costs are unchanged;
- Senior governments contribute bridge funding during the years 2019 - 2020, to support a transition to full market rates;
- HP Clubs have booking priority, access to existing facilities and transition to Canadian-comparable market lane rates sufficient to replace the reduction in CPOTF funding (increasing 140% over current rates), with annual increases thereafter equal to the HPA cost index;
- The transition to increased lane rates is spread evenly over the five years, 2019 - 2023;
- HP Clubs maintain their current level of rentals and events; and
- Saanich funds any shortfall to maintain the HPA.



Scenario Analysis

Sponsorship Model

In developing the Sponsorship Model, we conducted research into the potential selling of naming rights at similar facilities across Canada. From this research, we identified the following:

1. A 2015 municipal benchmarking study¹ found that:

- a. the most common assets being marketed by municipalities include Naming Rights (94%), followed by Events (88%), Programs (85%) and Community Initiatives (60%);
- b. the most common benefits are: Logo ID on sign at entrance to sponsored program or facility (88%), Branded Name as facility name (Naming Rights only – 85%), Mentions on Social Media (69%), Logo ID on Website (65%), Demonstration / exhibit space at sponsored program or facility (65%) and Advertising in Publications (65%);
- c. 65% of municipalities responding were involved in sponsorship;
- d. of the 35% of municipalities not currently involved in sponsorships, 90% are considering it;
- e. 100% of municipalities over 100,000 in population reported being engaged in some form of sponsorship;
- f. 94% of those municipalities actively marketing their assets are seeking naming rights sponsors;
- g. 62% already have agreements in place;
- h. the most common term for naming agreements is 5-10 years (45%) with the second being 3-5 years (23%). This is in sharp contrast to the “In Perpetuity” terms that were commonly used a few years ago;
- i. arenas (96%), recreation complexes (82%), pools (61%) and sports fields (61%) are viewed as the best opportunities for naming rights sponsorship;
- j. 68% reported using internal staff to market their opportunities and manage the program;
- k. 35% are compensated in the range of \$80,000 to \$100,000, with 26% in the \$40,000 to \$60,000 range and 22% in the \$100,000 to \$120,000 range;
- l. prices for a multi-facility complex naming rights ranges from \$30,000 to \$160,000 annually; The average for facilities over 1 million participants is approximately \$110,000 per annum; and
- m. average pricing for an Arena and/or Pool within a larger complex is \$25,000.

¹ **Sponsorship and Naming Rights – Municipal Benchmarks**, Centre for Excellence for Public Sector Marketing, 2016.

2. Factors affecting the value of Naming Rights

- a. **Newness of the facility** – new facilities represent the best opportunity as the opening is often heavily marketed; new assets are attractive and carry little historical baggage.
- b. **Importance to the community** – whether the facility is a historical landmark in the community;
- c. **Uniqueness and location;**
- d. **Annual attendance** – the number of people served by the facility in a year and attendance patterns;
- e. **Diversity of programming** – facilities with program diversity attract wider audiences and are more attractive;
- f. **Potential for media coverage** – whether the facility is mentioned often in local media or is associated with local sports franchises; and
- g. **Additional visibility** – whether there are other ways in which the municipality can provide visibility (e.g., publications, website and signage).

3. Sponsorships Reviewed

In considering the potential value of the naming rights for Saanich Commonwealth Place, we conducted a review of sponsorship agreements established in local jurisdictions as well as others across the country, including:

Jurisdiction	Facility	Facility Type	Contract Amount (if known)	Term (if known)	Annualized Amount
Langford	Q Centre	Arena	\$ 1,800,000	\$ 10	\$ 180,000
Victoria	Save-On Memorial Arena	Arena	\$ 1,250,000	\$ 10	\$ 125,000
Cochrane, AB	Spray Lake Sawmills Family Sports Centre	Aquatic and Curling Centre	\$ 1,100,000	\$ 10	\$ 110,000
Cowichan Valley Regional District	Island Savings Centre	Sports Centre	\$ 1,000,000	\$ 10	\$ 100,000
Town of Milton, ON	FirstOntario Milton Centre of the Arts	Arts Centre	\$ 1,000,000	\$ 25	\$ 40,000
Nova Scotia	Soccer Nova Scotia	Indoor stadium	\$ 500,000	\$ 15	\$ 33,333
Langford	Westhills Stadium	Stadium	\$ -	\$ -	\$ 25,000
Langford	Westhills Ice Rink	Arena	\$ -	\$ -	\$ 25,000
Langford	Eagle Ridge Arena	Arena	\$ 75,000	\$ 10	\$ 7,500

4. Risk Assessment

The experience of municipalities in pursuing sponsorship opportunities shows that projects face a range of potential risks:

- a. the municipality may want to develop Naming Sponsorship Guidelines before seeking sponsorship opportunities;
- b. projects may not result in a sponsorship agreement and incur costs in the process;
- c. community concerns are often encountered in renaming existing facilities;
- d. a potential “mountain of pitfalls” in the sponsorship agreement can require significant vetting and legal review;
- e. either party to a sponsorship agreement may find themselves in a relationship that they no longer wish to maintain. Facilities can develop issues that reflect negatively on the sponsor and sponsors can develop issues that reflect negatively on the municipality; and



- f. there are typically internal costs incurred in managing the sponsorship relationship that can erode the value of the sponsorship.

Based upon this research, we concluded that a sponsorship model for the HPA is not feasible. We reviewed our findings with the Division and it was agreed to exclude the Sponsorship Model from further analysis.

Scenario Summary

Using the SCP Operating Cost Model and the Key Assumptions and Variables, we projected the future operating costs of the HPA and the funding contributions of Saanich, the HP Clubs and senior levels of government. Table 2 reflects the projected contributions of Saanich under each of the operating models analysed.

Table 2 – Projected Contributions by Saanich to the HPA

	2018	2019	2020	2021	2022	2023
Extension of Current Model	\$377,475	\$392,100	\$401,300	\$410,600	\$419,700	\$429,100
Community Model	\$377,475	\$407,346	\$648,800	\$711,000	\$712,000	\$713,300
District Model	\$377,475	\$440,246	\$676,800	\$753,000	\$768,000	\$783,300
Market-Rate Model	\$377,475	\$369,546	\$535,400	\$540,900	\$485,200	\$429,800

The District Model represents the highest cost option for Saanich, with the District providing 73% of ongoing funding for the HPA. HP Clubs continue to contribute at current levels and have priority access to facilities.

The Extension of Current Model assumes that senior government will renew funding for the HPA and increase that funding annually at the HPA cost index. Under this model, Saanich's funding contribution would be reduced to 40% of HPA costs. The Extension of Current Model is the lowest risk option for the District, as funding would be confirmed through agreement.

The Community Model suggests that Saanich's contribution could be reduced to 53% of HPA funding. Under this model, HP Clubs lose their priority booking privileges and low-cost access to administrative space. The model assumes that HP Clubs will pay closer to market rates and maintain their facility usage. There is a risk that HP Clubs will reduce their facility usage in the face of increased lane rates and that the booking revenue projections in this model may not be realized.

In the Market-Rate Model, lane rates for HP Clubs are transitioned to full market rates over five years, starting in 2019. This model assumes that senior government provides transitional funding in 2019 and 2020 and that HP Clubs maintain their facility usage. In this model, Saanich's contribution could be reduced to 40% of HPA costs. There is a significant risk that HP Clubs will reduce their facility usage in the face of increased lane rates and that revenue projections in this model may not be realized.



Table 3

Table 3 reflects the relative funding levels for the 2018 base year and projected years of 2019 – 2023 for each of the operating models evaluated:

Saanich Contributions by Model	2018	2019	2020	2021	2022	2023
Extension of Current Model	39%	39%	39%	40%	40%	40%
Community Model	39%	41%	59%	64%	63%	62%
District Model	39%	44%	67%	73%	73%	73%
Market-Rate Model	39%	37%	53%	52%	46%	40%

Table 4

The funding levels for HP Clubs for each of the operating models are shown in Table 4:

HP Clubs Contributions by Model	2018	2019	2020	2021	2022	2023
Extension of Current Model	28%	28%	27%	27%	27%	27%
Community Model	28%	31%	28%	29%	30%	31%
District Model	28%	28%	27%	27%	27%	27%
Market-Rate Model	28%	35%	41%	48%	54%	60%

The scenario analysis indicates that there is a range of possible funding levels for Saanich and HP Clubs that allow for the continued presence of high-performance aquatic sports at Saanich Commonwealth Place. Readers are cautioned that the projections are based upon assumptions about future events which may vary significantly from actual events.



Appendix A – SCP Cost Allocation Model

The SCP Cost Allocation Model is an Excel spreadsheet that uses activity-based costing methods to allocate SCP operating costs to the HPA. This appendix describes the SCP Cost Allocation Model.

Activity-Based Costing

The activity-based costing approach:

- Charges resource costs to activities (e.g., heating the pool water);
- Activities are assigned to cost objects (e.g. lap pool, dive tank) based on consumption estimates; and
- Assigning activity costs to cost objects utilizing cost drivers (e.g. a cost driver for the cost of heating pool water is the volume of water in the pool, the more water the more energy consumed) that attached activity costs to outputs.

Cost Allocation Principles

The following principles underlie the cost allocation model:

- Actual costs should be derived from the best source – in this case from Saanich’s financial accounting system;
- Direct costs should be allocated directly where possible;
- Indirect costs should be allocated based upon the most appropriate cost drivers;
- Cost driver data should be readily available and verifiable; and
- The SCP Cost Allocation Model should be consistent with the intent of the Operating Agreement.

Activities

For the purposes of the SCP Cost Allocation Model, the scope of activity costs is limited to the costs of energy, maintenance staff, pool water, pool chemicals, custodial supplies and plant maintenance.

Direct versus Indirect Costs

The Operating Agreement indicates that only those costs “directly attributable to the High Performance Area” are to be funded by the CPOTF. In practice, the HPA is not a cost centre within the Saanich chart of accounts and the majority of energy and maintenance costs are charged directly to either the SCP or the building. As a result, energy and maintenance costs must be allocated as indirect costs to the HPA using appropriate cost drivers.

Cost Drivers

A “cost driver” is a unit of an activity or other measure that causes a change in an activity cost. In Table 2, we show the cost drivers used for each activity.

Table 2

Activity	Cost Driver
Heat the pool space	Floor space
Heat the water	Water Volume of pools
Supply water	Water Volume of pools
Apply chemicals	Water Volume of pools
Clean pool space	Floor Space
Repair and maintain pools	Floor Space
Replace equipment	Floor Space
Repair and maintain equipment	Floor Space
Maintain equipment	Estimated effort of technical operations staff



Appendix B – Baseline Operating Costs

Corporation of the District of Saanich Saanich Commonwealth Pool Costing Model

	2017	2018	2019	2020	2021	2022	2023
Energy and Maintenance Costs (SCP)							
Energy Costs							
BC Hydro (electricity for lighting and space heating)	\$ 387,267	\$ 418,000	\$ 431,400	\$ 444,800	\$ 458,200	\$ 471,600	\$ 485,000
Terasen Gas (natural gas for water heating)	149,578	140,246	138,700	137,100	135,500	134,000	132,400
Total Energy Costs	536,845	558,246	570,100	581,900	593,700	605,600	617,400
Maintenance Costs							
Water	116,791	114,636	121,800	129,000	136,200	143,400	150,600
Chemicals	70,423	67,771	70,200	72,600	75,000	77,400	79,800
Custodial Supplies	81,576	86,267	87,100	87,900	88,700	89,500	90,300
Building Maintenance and Repairs	166,065	161,091	163,400	165,700	168,000	170,300	172,600
Equipment Parts and Supplies	36,313	42,592	42,700	42,800	42,900	43,000	43,100
Equipment Maintenance and Repairs	10,770	11,748	11,700	11,700	11,700	11,700	11,700
Maintenance Labour							
Technical Operations Staff	243,924	246,992	256,600	266,200	275,800	285,400	295,000
Maintenance Staff	1,037,909	1,012,716	1,023,600	1,034,500	1,045,400	1,056,300	1,067,200
Total Maintenance Costs	1,763,771	1,743,813	1,777,100	1,810,400	1,843,700	1,877,000	1,910,300
Total Energy and Maintenance Costs, before Capital Expenditures	2,300,616	2,302,059	2,347,200	2,392,300	2,437,400	2,482,600	2,527,700
Capital Expenditures - Repairs and Replacement Fund	39,168	41,675	41,700	41,700	41,700	41,700	41,700
Total Energy and Maintenance Costs (SCP), after Capital Expenditures	\$ 2,339,784	\$ 2,343,734	\$ 2,388,900	\$ 2,434,000	\$ 2,479,100	\$ 2,524,300	\$ 2,569,400
Energy and Maintenance Costs, High-Performance Area							
Energy Costs							
BC Hydro (electricity for lighting and space heating)	Floor Space \$ 128,289	\$ 138,500	\$ 142,900	\$ 147,300	\$ 151,800	\$ 156,200	\$ 160,700
Terasen Gas (natural gas for water heating)	Water Volume 103,657	97,200	96,100	95,000	93,900	92,900	91,800
Total Energy Costs	231,947	235,700	239,000	242,300	245,700	249,100	252,500
Maintenance Costs							
Water	Water Volume 80,936	79,400	84,400	89,400	94,400	99,400	104,400
Chemicals	Water Volume 50,211	48,300	50,100	51,800	53,500	55,200	56,900
Custodial Supplies	Floor Space 27,023	28,600	28,900	29,100	29,400	29,600	29,900
Building Maintenance and Repairs	Floor Space 55,012	53,400	54,100	54,900	55,700	56,400	57,200
Equipment Parts and Supplies	Floor Space 12,029	14,100	14,100	14,200	14,200	14,200	14,300
Equipment Maintenance and Repairs	Floor Space 3,568	3,900	3,900	3,900	3,900	3,900	3,900
Maintenance Labour							
Technical Operations Staff	Estimated Effort 135,231	136,900	142,300	147,600	152,900	158,200	163,500
Maintenance Staff	Floor Space 343,827	335,500	339,100	342,700	346,300	349,900	353,500
Total Maintenance Costs	707,839	700,100	716,900	733,600	750,300	766,800	783,600
Total Energy and Maintenance Costs (HPA), before Capital Expenditures	939,786	935,800	955,900	975,900	996,000	1,015,900	1,036,100
Capital Expenditures - Repairs and Replacement Fund	39,168	41,675	41,700	41,700	41,700	41,700	41,700
Total Energy and Maintenance Costs (HPA), after Capital Expenditures	\$ 978,954	\$ 977,475	\$ 997,600	\$ 1,017,600	\$ 1,037,700	\$ 1,057,600	\$ 1,077,800
% of Total	41.8%	41.7%	41.8%	41.8%	41.9%	41.9%	41.9%

Appendix C – HPA Cost Allocation

In 1992, the District prepared an estimate of the energy and maintenance costs for Saanich Commonwealth Place, as the facility was being constructed. An engineering firm was engaged to assist the District in preparing these cost estimates and in providing a methodology for allocating a portion of those costs to the HPA. As shown on Page 7 of this report, the District estimated that energy and maintenance costs in 1994 would be \$972K for the entire facility, of which \$330,000 or 34% was allocated to the HPA. In addition, \$42K of HPA capital costs funded by the HP Clubs booking revenues resulted in a total cost allocation equivalent to 36.7% of total energy and maintenance costs.

Over time, the SCP Cost Allocation Model was updated to reflect changes in actual costs, changes in cost drivers and changes in cost driver variables. These changes reflect knowledge gained in the operation of the SCP over the past 25 years and in shifts in relative cost trends. For example, energy costs estimated in 1994 have increased a total of 8%, while maintenance costs have increased 280% during the same time period. As different cost drivers are used for these cost pools, it results in a shift in the overall allocation.

The following table reflects the comparative calculations of the portion of SCP energy and maintenance costs between 1994 and 2018:

Cost Allocation to the HPA

Energy and Maintenance Costs, High-Performance Area	Cost Driver	1994			2018				
		%	SCP Cost Base	Allocation to HPA	Base	HPA	%	Cost Base	Allocation to HPA
Energy Costs									
BC Hydro (electricity for lighting and space heating)	Floor Space				95,421	31,610	33.1%	\$ 418,000	\$ 138,470
Terasen Gas (natural gas for water heating)	Water Volume				1,085,680	752,376	69.3%	140,246	97,190
	Total Energy Costs	38.4%	\$ 515,143	\$ 197,828			42.2%	558,246	235,661
Maintenance Costs									
Water	Water Volume						69.3%	114,636	79,400
Chemicals	Water Volume	60%	46,305	27,783			69.3%	67,771	48,300
Custodial Supplies	Floor Space	60%	9,647	5,788			33.1%	86,267	28,600
Building Maintenance and Repairs	Floor Space						33.1%	161,091	53,400
Equipment Parts and Supplies	Floor Space						33.1%	42,592	14,100
Equipment Maintenance and Repairs	Floor Space	60%	26,047	15,628			33.1%	11,748	3,900
Maintenance Labour									
Technical Operations Staff	Estimated Effort	75%	55,566	41,675			80.0%	246,992	136,900
Maintenance Staff	Floor Space	75%	55,566	41,675			33.1%	1,012,716	335,500
Other SCP Maintenance Costs - not related to Pool		0%	264,132	41,675					
	Total Maintenance Costs	29.0%	457,262	132,548			40.1%	1,743,813	700,100
Total Energy and Maintenance Costs (HPA), before Capital Expenditures			\$ 972,405	330,380				\$ 2,302,059	\$ 935,761
Capital Expenditures - Repairs and Replacement Fund		100%	41,680	41,680			100%	41,675	41,700
Total Energy and Maintenance Costs (HPA), after Capital Expenditures			\$ 1,014,085	\$ 372,060				\$ 2,343,734	\$ 977,461
	% of Total Allocated to HPA			36.7%					41.7%