



# Chapter 3

## Recreation & Parks User Fee Policy Framework



## 3. Recreation & Parks User Fee Policy Framework

### 3.1 Introduction

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A key component of the Recreation & Parks Rates and Fees Strategy was the development of a Recreation & Parks User Fee Policy Framework. This framework was developed to inform the current and future study processes as well as the proposed fee recommendations that have been made.

The main components that have been considered in formulating the policy framework are:

- Pyramid Methodology;
- Outcomes from Public Engagement Strategy; and
- Municipal Policy Research

The process of engaging the public and seeking their input throughout the review has been undertaken to inform the various community benefits and the levels of community benefit received from services and programs offered

A detailed summary of the findings and results from the public engagement strategy and municipal policy research are provided in Appendix A and B respectively to this report.

### 3.2 Pyramid Methodology

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The Town has selected to use the Pyramid Methodology to determine its cost recovery and subsidy allocation philosophy. The first step in using the methodology is to align the services offered with the Town's values, vision, and mission. The next step requires assessing the services through a series of filters. The filters from the methodology are:

- Benefits – who receives the benefit of the service
  - Access or type of service – is the service available to everyone equally or are there factors that restrict participation;
  - Organizational responsibility – is it an organization's responsibility or legal requirement to provide the service;
  - Historical expectations
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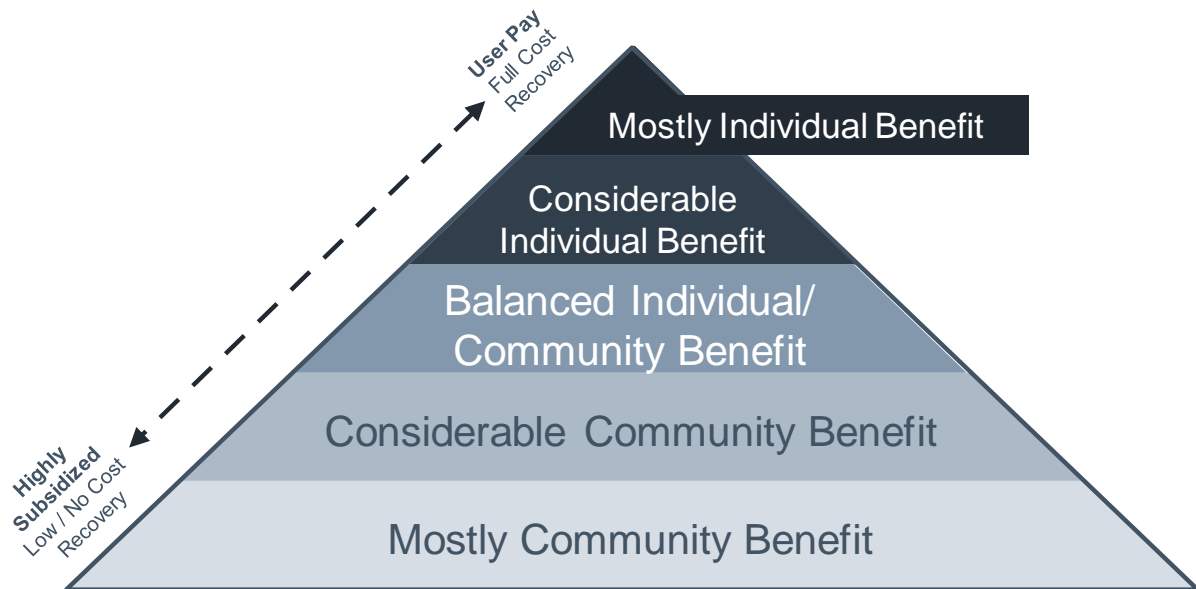
- Anticipated impacts – what is the expected effect on existing resources, other users, environment; and
- Social value.

Applying the filters to each service/fee is not a requirement of the Pyramid Methodology. Instead, services may be put into categories based on characteristics and the filters are then applied to each category. The various categories are then sorted into a pyramid (Figure 3-1). Based on the Pyramid Methodology's benefits filter, the level of subsidy is directly proportional to the level of community benefit provided by a service. In other words, services which provide no community benefit would not be subsidized while those that provide no individual benefit would be fully subsidized. The base of the pyramid would have the services which provide community benefit, fully subsidized. At the top of the 5-level pyramid, would be those services that only provide individual benefit, and no subsidy from property taxes.

The next step would be to define direct and indirect costs then proceed to determine the current costs of service, cost-recovery levels/subsidy levels. When this is complete, the municipality will then establish the cost-recovery/subsidy goals, deal with any influential factors or considerations e.g. trends, economic conditions, and implementation. The final step in the methodology is evaluation. This step includes activities such as benchmarking future financial performance, justify the price of new services, shifting the subsidy where it is needed the most, etc.



Figure 3-1  
Pyramid Methodology



### 3.3 Public Engagement Strategy

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The three main areas of public engagement that have been or will be undertaken include:

1. Focus Group Meeting

- The intent of the focus group was to first provide background information on the objectives of the fee review, the study process, methodology, and the public engagement plan. This was followed by identifying the area of focus for the session, i.e. Community Benefits of Recreation and Parks Services.
- The focus group consisted of a broad cross section of Recreation and Parks users and detailed feedback on community benefits was solicited through facilitated group exercises and discussion. Results of the focus group activities were provided back to participants so that they can understand how their input was utilized.

2. Community Survey



- A community survey was run on-line through the “Let’s Talk Halton Hills” website and through hard copies available at Town facilities from April 25, 2019 to May 16, 2019. The purpose of the community survey was to solicit broad feedback on the level of community benefit received from providing different programs and services in general and to specific user groups.

### 3. Public Open House

- Prior to the commencement of the community survey, a Public Open House was held to promote the launch of the survey and to give the general public an opportunity to better understand the study process, purpose of the fee review, and to ask questions about the community survey.

### 4. Final Public Open House/Focus Group Session

- A final public open house/focus group session will be held to present the findings of the Recreation and Parks Rates and Fees Strategy and how the feedback from the public engagement strategy was utilized in forming those findings.

## 3.4 Municipal Policy Research

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### 3.4.1 Introduction

To facilitate the development of the policy framework, the user fees policies and cost recovery practices of the City of Burlington, Town of Milton, Town of Oakville, City of Mississauga, City of Guelph, City of Brampton, Town of Erin, and the City of Toronto, were surveyed and reviewed. One area of interest was to understand the methodologies used by the different municipalities to determine cost recovery and subsidy allocation.

Some of the municipalities surveyed have a user fee policy which may be limited to parks and recreation fees or deals with all the services offered by that municipality. For the municipalities without user fee policies, their master planning documents highlight the need to conduct comprehensive user fee reviews and develop subsidy/assistance policies or signal the intention to develop one in the future.



### **3.4.2 Key Themes/Summary of Findings**

User fees can be levied for services for which the benefitting party is an identifiable individual or business (entity). Most municipalities consider the type of good or service (public/private/mixed) and the associated benefitting parties to determine if the service should be funded from user fees as well as the degree of subsidization from property taxes. The level of cost recovery is determined by the degree to which the service benefits only the identifiable entity. In other words, a service for which 100% of the benefit accrues to the individual would be a candidate for full cost recovery whereas a service that benefits the individual and the public would not recover its full cost. A service that benefits the general public or community would be fully subsidized. The level of subsidy would be determined by the amount of public benefit.

#### Community Engagement and Benefit Analysis

The decision matrices used by the Town of Oakville and the City of Toronto are provided in the report in Appendix B. It is worth noting that the user fee policies do not prescribe a method of assessing benefit or specify the level of community engagement in the process. In the case of Oakville, any council report regarding new fees would need to show the public was consulted on the matter. The same would also apply in Toronto although the method of consultation is left to the division heads to decide on. Some municipalities conduct this analysis for each service (e.g. swimming programs, ice time, etc.) they offer while others have undertaken this analysis at a higher level (e.g. subsidy level for recreation as a whole).

#### Market Fees

In addition to the benefit analysis, user fee policies also include provisions to consider market fees (e.g. policies for Toronto, Oakville, etc.). Where the municipality provides a service that is similar to services provided by the private sector, under competitive market conditions, the user fees should be in line with prices charged in the private sector. In the event that the user fees do not achieve an appropriate level of cost recovery, the service provided by the municipality should be reviewed to determine its feasibility. From the policies of municipalities surveyed, user fees must be compared annually to the prices charged in the private sector to ensure/maintain competitiveness. Charging more than the prevailing market fees may result in undesired decreases to utilization rates. Charging less than market prices is also not desirable as it may induce



demand that otherwise did not exist. As such, user fees for parks and recreation services help the municipality allocate scarce resources to those services for which true versus induced demand exists. Market analysis or benchmarking is another commonly used tool by municipalities when setting recreation rates and fees. At present, the Town along with Erin, Burlington, and Brampton utilize this approach.

### Full Cost Definition

Municipalities are generally aware of the need to recover the full costs (direct, indirect, and capital) of services and recognize user fees as a useful funding source. A majority of the municipalities included capital costs in the definition of full costs. The policies for the Town of Oakville, City of Mississauga, and City of Toronto require that full costs of service, including capital costs, be used as a starting point for all user fee considerations. The full cost of providing a service would be the starting point for setting user fees regardless of whether the full cost will be recovered. For the municipalities without user fee policies, in most cases, their master plans specify that the full costs of service would need to be considered as part of a user fees review. One exception to this is the Town of Caledon which considers only direct and indirect expenses in its user fee/subsidy policy.

### Cost Recovery Policies

There is also a recognition that 100% cost recovery, although ideal, may even be undesirable as it may conflict with the municipality's other objectives. The goal of the user fee policy then is to achieve multiple objectives including transparency, fairness and equity, and balancing cost recovery with other policy objectives such as affordability considerations. A user fee policy provides a framework/process through which a municipality ensures that it is maximizing the level of cost recovery while simultaneously achieving its other objectives.

### Assistance Programs

Another common thread in the documents reviewed is the recognition by municipalities that user fees may adversely affect the ability of low-income residents to access recreation services. Based on this, most municipalities offer assistance programs to mitigate the impact on access to services. Assistance programs are limited to residents of a municipality. In addition to providing proof of residency, applicants would need to show they meet the income threshold, typically Statistics Canada's Low-Income Cut-off,



or a recently relocated refugees. The assistance typically takes the form of a fixed amount subsidy which a recipient can apply to the recreation program of his or her choice, subject to few exceptions. It is notable that in some municipalities, this amount is not indexed annually even as the municipality's fees have increased.

The user fee policy and assistance programs, where available, are provided and organized by municipality in the remainder of the document.

## **3.5 Recreation & Parks User Fee Policy Framework Summary**

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### **3.5.1 Community Benefits**

The list of community benefits to be used in the Study and community survey was refined based on focus group input to include:

- Enhances social wellbeing, especially for youth and seniors
- Develops healthy youth lifestyles and positive choices
- Builds and maintains strong families and communities
- Helps people connect with nature
- Provides economic benefits
- Develops life skills and leadership
- Builds and maintains healthy lifestyles
- Provides equal access to services

The above list was developed through discussion of a preliminary draft list of community benefits, focusing on what were the most important community benefits and the perceived meanings for use in the community survey.

### **3.5.2 Public Engagement Themes**

The following themes were identified from the activities undertaken with the focus group and the community survey results. Further detail and background information can be found in Chapter 2 and 3 of Appendix A of this report.:



**#1 – Level of cost recovery should be aligned with community benefits (agreement with proposed pyramid methodology)**

**#2 – Fee discounts should be based on ability to pay, i.e. current assistance programs (agreement with current policies)**

**#3 – Affordability of facility and sports field rentals for third-party programming with high levels of volunteer involvement should be considered**

**#4 – The type of program offered was more indicative of the level of community benefit than the user group benefiting from the service**

- Where higher levels of community benefit were attributed to user groups, youth and seniors user groups were identified
- Strong support shown for non-resident fees

### ***3.5.3 Community Benefit Assessment – Pyramid Methodology***

Based on the findings of the public engagement strategy, including feedback from the Focus Group meeting and the community survey results, the user fee categories (as defined in Section 2.2) have been assessed in terms of the level of perceived community benefit (i.e. Pyramid Methodology). The findings, which are illustrated in Figure 3-2 indicate that the highest level of community benefit was assessed for drop-in programs (e.g. swimming and skating), camp programs (e.g. children's summer and march break camps), aquatic programs (e.g. group learn to swim lessons), and any programming offered to children and youth. On the other end of the spectrum, the services that were identified to have the highest individual benefit and therefore should receive very little cost subsidy include fitness classes (e.g. Zumba and Aquafit), sports instruction (e.g. dance, private and semi-private swim lessons), and health and wellness classes (e.g. Yoga and Tai Chi).



Figure 3-2  
Community Benefits Assessment

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| <b>MOSTLY INDIVIDUAL BENEFIT</b>                 |
| <b>Fitness Classes</b>                           |
| <b>Sports Instruction</b>                        |
| <b>CONSIDERABLE INDIVIDUAL BENEFIT</b>           |
| <b>Health and Wellness</b>                       |
|  |
| <b>BALANCED INDIVIDUAL/COMMUNITY BENEFIT</b>     |
| <b>Leadership and Certification Programs</b>     |
| <b>Facility Rentals (Including Sportsfields)</b> |
| <b>Seniors</b>                                   |
| <b>CONSIDERABLE COMMUNITY BENEFIT</b>            |
| <b>Camp Programs</b>                             |
| <b>Children and Youth</b>                        |
| <b>Aquatic Programs</b>                          |
| <b>MOSTLY COMMUNITY BENEFIT</b>                  |
| <b>Drop-In Programs</b>                          |
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### ***3.5.4 Recreation & Parks User Fee Policy Framework Principles***

Based on the Municipal Policy research presented in Section 3.4, the following Recreation & Parks User Fee Policy Framework principles are proposed to guide future recreation and parks user fee reviews and decisions.

- Full cost of service be assessed (direct, indirect Town department support, and capital replacement);
- Community vs. individual benefit assessment by program;



- Ensure accessibility and affordability of services;
- Consider variable pricing to balance utilization and maximize revenue;
- Consider market fees for services offered by private sector or neighboring municipalities;
- Non-resident charges should be considered where not administratively onerous to do so;
- Engage public in consultation as part of user fee reviews to ensure transparency;
- User fees to be reviewed annually as part of budget process; and
- Comprehensive review of costing model and policy every 3-5 years