

<b>TO:</b>	Sport, Recreation and Culture Committee
<b>MEETING DATE:</b>	September 5, 2018
<b>SUBJECT/REPORT NO:</b>	Community-Driven Pricing Policy CM 18-19
<b>PREPARED BY:</b>	Sarah Ane, Acting Associate Director, Community Services
<b>SUBMITTED BY:</b>	Shannon McKay, Acting Director, Community Services

**RECOMMENDATION:**

1. THAT report CM 18-19 regarding a community-driven pricing policy be received as information.
2. AND THAT Committee and Council direct staff to partner with Brock University's Recreation and Leisure Studies program to facilitate community research in the area of community-driven pricing philosophy and policy development.

**EXECUTIVE SUMMARY:**

Parks, recreation and culture services fulfill a basic human need similar to public health, safety and education and for the greater good of society and its members. There is no singular approach to determine a pricing model that is reflective of community need. Successful pricing is adaptive in nature and requires consideration of both internal and external factors. Typically, parks, recreation and cultural programs and services are funded through a combination of user fees, taxes, grants, and donations.

The absence of a pricing policy creates confusion among the public and challenges for staff who are required to set fees and charges. There is value in understanding what every program and service costs to deliver, the revenue it generates (fees and charges), and the difference. If the cost is greater than the revenue, the program is subsidized; if the cost is less than or equal to the revenue, there is full cost recovery.

**BACKGROUND:**

An important consideration in the applicability of user fees and charges is understanding who benefits from the services. A service creates purely private benefits if those benefits accrue only to the individual using the service. A service creates purely public

benefits if those benefits accrue to society at large. Between those two extremes lies a spectrum of services that benefit both the user individually as well as society at large. Most municipal services lie within this spectrum, producing both an individual or private benefit to the user of the service, as well as a broader societal or public benefit.

The Town's rates and fees for parks, recreation and culture programs and services, are currently based on a combination of:

- Alignment to municipal comparators
- Market-based pricing
- Consideration of associated costs to deliver the service
- Public feedback

Historically, the pricing philosophy within the Community Services Department has been based on the perception of affordability. Fee adjustments have been completed based on recommendations from staff after completing comparisons with other area agencies. To assist in reducing program budget impacts and help maintain affordability, program expenses are supplemented through the solicitation of donations, sponsorships and grants.

A pricing policy is designed to provide consistent guidelines for the establishment of fees and charges for facilities, programs and services. It provides a basis to allow Council, staff and the public to better understand the philosophy behind how fees and charges are established for a program or service. Furthermore, it establishes a unified process that addresses whether a service is a core or a non-core function for the community, establishes cost recovery levels and if it deemed to delivery public good.

Currently, fees and charges are recommended by staff, reviewed by the Finance Department and a result of a resolution of Council. Fees are reviewed and adjusted annually.

Fees and charges are collected for:

- Facility rentals – ice, sport fields, pools parks, community rooms
- Registered programs – aquatics, camps, fitness classes, general interest
- Season passes, daily admissions and memberships
- Processing of refunds
- Parks concessions
- Damage deposits

The intended outcome of a pricing policy is a strategic, consistent and systematic method to pricing parks, recreation and culture programs and services.

## **FINANCIAL – STAFFING – LEGAL CONSIDERATIONS:**

### **Financial:**

Creating a pricing policy would include development of:

- a costing formula (what costs are included – this varies across municipalities);
- a subsidy formula (how much is absorbed by the tax base, based on benefit to the community and what the market will bear); and
- an affordable access to recreation strategy (subsidies to provide financial support to those that require it). The planned approach includes leveraging Brock University's Faculty of Recreation and Leisure resources to achieve an efficient use of staff resources; and undertaking significant stakeholder consultation to ensure policy alignment with the Town of Lincoln's Future Focus Corporate Plan and community values.

The outcome of developing a formal pricing policy will also address outdated reciprocal agreements and the Approved Community Groups listing, including parameters in which a group may receive waiving of fees and/or financial subsidy.

Separate from the pricing policy community exercise will be the redevelopment of the Municipal Grant criteria and reporting structure for 2019. Details regarding a rebranded community grant program called the *Grow.Prospere.Belong Fund* are forthcoming to Committee and Council in January 2019 for review.

### **Staffing:**

Opportunity to partner with the faculty and students in the Department of Recreation and Leisure Studies at Brock University to undertake research into pricing policy development is available to the Town. This aligns with Brock University's commitment to experiential learning and contributing to the development of the Niagara Region and provides great value to the Town of Lincoln in terms of leveraging resources.

Project goals are:

- 1) To **document the current state of pricing** for parks, recreation and culture programs and services in Lincoln.
- 2) To **identify discrepancies between current pricing and true cost of program** and service delivery.
- 3) To **simplify and streamline** existing fees and charges for services.
- 4) To create the foundation for an efficient pricing process and a future fee structure that will **ensure financially sustainable services** in the future.

Development of a pricing policy is an interdepartmental project. Contributions from the Communications team and Finance Department to supplement the efforts of Community Services staff will be paramount to the success of this project. A project team will be formed and a subsequent project charter will be developed. Brock University has committed to a September 2019 project start date, concluding with a summary report of recommendations in the spring of 2020.

**Legal:**

Brock University is committed to the conducting responsible and ethical research. Brock's Research Ethics Office will ensure all university policies and procedures meet compliance throughout the duration of the project.

**RELEVANT CONSULTATION:**

Pricing is one of the most technically difficult and politically sensitive areas in which organizations have to decision-make. Pricing decisions are influenced by myriad ideological, political, economic and professional arguments. Prices have become more substantive and demands for greater transparency in government have grown. Senior leaders and elected officials are now more commonly required to justify price increases.

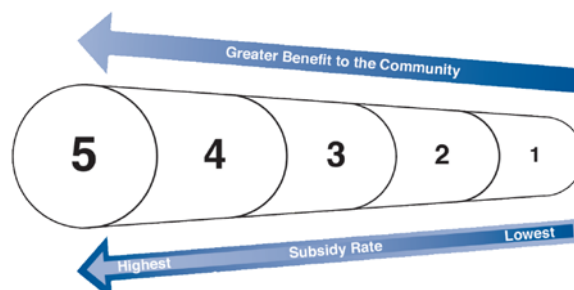
In June, staff attended the Active Network Niagara symposium which is comprised of senior leaders from the sport and recreation industries. The topic of the symposium was "Building a Recreation Pricing Philosophy: An Evidence-Based Approach" as presented by staff from the City of St. Catharines. Current research, panel presentations and industry best practices were presented and discussed. A common theme emerged from the symposium that pricing should be community-driven, not staff dictated. Staff have connected with the City of St. Catharines project team that initially worked with Brock University to review lessons learned from their experience and to discuss recommended next steps to applying a similar research project in Lincoln.

**STAFF COMMENTS:**

Publicly funded recreation is integral to the success of the Town of Lincoln, its communities and residents and makes Lincoln an attractive place to live and work. Town of Lincoln recreation programs promote the physical development of people of all ages and abilities. Recreation programs develop skills and talents in individuals, build social connections within neighbourhoods and train future leaders. Public recreation programs and services play a key role in maintaining healthy, strong and vibrant communities.

Pricing should be based on the level of benefit received (Figure 1). The higher the benefit to the community, the higher a subsidy rate should be applied and the service priced accordingly.

*Figure 1: Community Benefit*



In 1992, Parks and Recreation Ontario, identified four main benefits of recreation:

1. **Personal Benefits** – Participation in recreation contributes to a meaningful and balanced life, positive lifestyle choices, and personal satisfaction; reduces stress; builds self-esteem; and improves quality of life.
2. **Social Benefits** – Recreation provides opportunities to build community spirit, have fun, meet people and it gives children places to be actively engaged.
3. **Environmental Benefits** – Recreation has an essential, life-sustaining role in contributing to the environmental health of communities through the provision of parks and open spaces.
4. **Economic Benefits** – Investing in recreation decreases spending in health care services, reduces vandalism and criminal activity, and motivates business expansion.

Investment in recreation represents a commitment to the future health and prosperity of the Town. There is a strong relationship between the provision of recreation programs and services and benefits to personal, community and economic wellbeing.

In partnership with Brock University, staff will examine benefits-based pricing, differential pricing and subsidy rate models.

**Benefits-Based Pricing** - pricing programs and services differently depending on the benefits they offer to the community. Municipalities subsidize at higher rates the recreation programs that are more beneficial to the community.

**Differential Pricing** - different prices to different groups for the same product or service (ie: discounting and premium pricing models).

**Subsidy and Subsidy Rates** - government covers some of the costs of the products or services of that industry so that its products are cheaper to the consumer. Historically, the costs of recreation have been subsidized by government tax dollars. A subsidy rate is the percentage of the total costs that are subsidized by government.

**ALTERNATIVES FOR CONSIDERATION:** n/a

## **COMMUNICATION/ENGAGEMENT OVERVIEW:**

Organizations often make major price changes reactively in response to an emergent financial or political imperative. In contrast, strategic pricing requires proactively developing a policy. Price decisions are context specific, so they cannot be formulaic. A pricing policy that has proved successful in one community may be entirely inappropriate in another. A proactive approach that embraces that community perspectives are different, and the expectations of stakeholders vary is required. Adapting prices to shifts in political, economic and competitive conditions requires local knowledge and understanding.

Resident input into pricing of services allows consumers to provide feedback on what they value in their community and what, if any, discounts and subsidies they want to

support. This approach is helpful in the establishment of multi-tiered pricing options. “One price fits all” models are not effective in maximizing pricing alternatives and in gaining revenue sustainability or community support.

Working through focus groups, staff and researchers will incorporate values clarification activities, which are activities that assist residents in identifying what is of value to them, so that they understand why they might prefer some pricing options over others.

Stakeholder engagement is critical to collective buy-in, consensus, and endorsement of the process. A variety of participants representing diverse interests will be invited to participate in the process. The process will include a review and assessment of services including programs and facilities, categorization of Departmental services based upon the level of community versus individual benefit, identification of direct and indirect costs, and an evaluation of current pricing methods. All of the components of this process directly influence current cost recovery and subsidy allocation levels, the establishment of future cost recovery and subsidy allocation goals, and future pricing strategies and methods. This comprehensive review and analysis will assist the Community Services Department in refining its service delivery and financial management philosophy as it moves forward in efforts to sustain services over both the short and long-term.

#### **ALIGNMENT TO CORPORATE PLAN:**

In January 2015, Council adopted a new Corporate Plan, which sets out its priorities and strategic directions for this term of Council. Council's strategic direction focuses on enhancing communication with citizens and stakeholders as well as providing a positive and customer-centred tools for engagement. In addition, the cultural planning strategic direction encourages the identification and support of inclusive recreation and sport opportunities for all ages.

The Future Focus Plan ensures that Council makes decisions that benefit the public and by extension, ensure an unbiased, well-informed and community-driven approach to the development of future parks, recreation and cultural services, facility development and program offerings and creates opportunities for efficiencies in service delivery to ensure high value for all Lincoln taxpayers.

**ATTACHMENTS:** n/a