

Report

Date August 21, 2024
Subject 2025 Regional Recreation Budgets

File:

PURPOSE

To receive pre-budget approval for the Cowichan Aquatic Center and Fuller Lake Arena 2025-2029 budgets for the Regional Recreation function.

BACKGROUND

A referendum for Regional Recreation was held in October 2022 and voted in by residents within the Cowichan Valley Regional District (CVRD). 2023 was the first year of a 3-year phased-in approach for the new usage-based funding model. North Cowichan has two facilities funded through this model – Cowichan Aquatic Center (CAC) and Fuller Lake Arena (FLA). This year, North Cowichan received 2/3 of the budgeted expenses, less projected revenue for these two facilities. In 2025, North Cowichan will receive 100% of the budgeted expenses less projected revenue.

The budgets for FLA and CAC will still be provided to Council during the Business Plan presentations in late 2023 with Key Performance Indicators (KPIs); however, staff are seeking Council's support of the budgets prior to providing the numbers to the CVRD.

DISCUSSION

Due to the Regional District's budget timelines, North Cowichan needs to provide the CVRD with the 2025 budgets for FLA and CAC by August 30, 2024, to ensure they can be presented to the commissions and the CVRD board for approval.

Usage for the two facilities appears to be back to normal; therefore, increased user fees and expenses have been added to the 2025 budget. In 2024, the municipal property taxes for these two facilities totalled \$1,380,046 (\$2,317,190 in 2024). Due to 2025 being the year Regional Recreation funds 100% of the two facilities, there will be no municipal property taxes; however, these taxes will be requisitioned through the CVRD Regional Recreation Function 390.

Fuller Lake Arena

Total operating revenues have increased approximately 4.5% over 2024 based on projections and actuals to date. Total operating expenses have increased approximately 7% over 2024 (\$87,351). Over the past year, staff have demonstrated exceptional diligence and fiscal responsibility. They have consistently worked to keep operational costs within budget through proactive measures and strategic planning.

Total user fees for 2025 are budgeted at \$312,261 (\$299,016 in 2024), and CVRD requisition of \$1,218,066 (\$982,640 in 2024). The 2025 budget includes a transfer to the capital reserve fund of \$175,000 (\$125,000 in 2024). This allocation is designed to mitigate the need for tax rate increases when significant capital expenditures are required for the facility.

As FLA is an aging building, it has, and will, encounter ongoing maintenance and infrastructure demands. Building an adequate capital reserve is imperative to ensure the arena's long-term viability.

There is a capital request of \$30,000 for a condition assessment of the arena slab, installed in 1991 and nearing the end of its useful life. This assessment will provide North Cowichan guidance for the next steps of a potential slab replacement, further extending the life expectancy of the arena.

The overall budget for FLA shows a 13.7% decrease from 2024, mainly attributed to the reduced capital expenses in 2025. The 2025-2029 budget is shown below, with the 2024 budget as a reference:

Fuller Lake Arena						
	2024	2025	2026	2027	2028	2029
REVENUE						
User Fees	299,016	312,261	314,426	320,715	327,129	327,129
MNC Property Tax	491,320	0	0	0	0	0
CVRD Requisition	982,640	1,218,066	1,473,161	1,547,825	1,596,092	1,689,538
TOTAL REVENUE	1,772,976	1,530,327	1,787,587	1,868,540	1,923,221	2,016,667
EXPENSES						
Maintenance	789,469	843,320	868,620	894,678	921,519	949,164
Office/Administration	246,557	258,834	266,599	274,597	282,835	291,320
Programs	201,950	223,173	229,868	236,764	243,867	251,183
Transfer to Reserve	125,000	175,000	225,000	275,000	325,000	375,000
Capital	410,000	30,000	197,500	187,500	150,000	150,000
TOTAL EXPENSES	1,772,976	1,530,327	1,787,587	1,868,539	1,923,221	2,016,667

Cowichan Aquatic Center

Staff conducted a financial audit of the recreation department budget, post-COVID, to ensure the Regional Recreation requisition aligns with the operational realities of the department.

Total operating revenues have increased approximately 11.75% over 2024 based on projections and actuals to date. Total operating expenses have increased approximately 15.7% (\$681,256) over 2024 (excluding capital and reserve transfer). This increase is attributed to several things:

- \$251,000 attributed to an increase in staffing for lifeguards due to increased activity at the CAC and CUPE increases;
- \$92,060 due to the new position request;
- \$148,000 due to operational expense increases based on prior year actuals such as hydro and natural gas; and,
- \$190,196 is attributed to a discrepancy between the budgeted and actual wages and benefits from prior years.

The additional user fee revenues primarily offset the increase in lifeguard staffing.

The deep-dive analysis of the recreation department aimed to verify the accuracy of our staffing allocations and operational expenses, reflecting a more accurate representation of our operational needs and financial requirements necessary to continue operating at our current level of service. Due to the ongoing challenge of hiring full-time lifeguards, North Cowichan relies on casual staff to meet the safety requirements for operating the pool. Additionally, the impact of COVID-19 has skewed the number of pool users over the past three years. Consequently, the budget now accurately reflects the necessary number of casual staff to cover all programs at the CAC based on activity data from 2023 and 2024 to date.

Additionally, staff are requesting a new Maintenance Worker at the CAC. This position will operate and maintain the pool mechanical systems, test and balance the pool chemistry and clean, repair, and maintain the facility. The rise in patron traffic at the CAC has led to a higher demand for ongoing maintenance. As the facility approaches its 17th year of operation, the need for maintenance continues to grow with the aging equipment and infrastructure. By implementing asset management, we are emphasizing preventive maintenance more. This approach aims to reduce operating costs, extend the lifespan of assets, improve safety and compliance, support sustainability, and enhance the overall functionality of the facility. The cost of this position is estimated at \$92,060 (inclusive of benefits). This amount is included in the budget presented to Council and, if not approved, would be reduced by this amount.

Total user fees for 2025 are budgeted at \$1,411,654 (\$1,263,287 in 2024), and CVRD requisition of \$4,081,734 (\$2,419,052 in 2024). The 2025 budget includes a transfer to the capital reserve fund of \$250,000 (\$200,000 in 2024). As stated above, this allocation is designed to mitigate the need for tax rate increases when significant capital expenditures are required for the facility.

Capital totals \$265,000, which includes the following projects:

- Secure compound – a secured 1,300 sq ft compound on the east side of the exterior of the CAC to create a safe and secure exterior space for staff to work, store materials, and park North Cowichan vehicles (includes fencing and gates);
- Energy efficiency improvements – look to deliver upon recommendations from a FortisBC Thermal Energy Study (completed in the fall of 2024) through mechanical enhancements that will look to reduce GHG emissions and reduce NG consumptions; and,
- Cardio equipment replacements – replacement of 20 spin bikes, four treadmills, two elliptical trainers, two recumbent bikes, and two stationary bikes.

The overall budget for CAC shows a 16% increase from 2024, attributed to various factors, as explained above. The 2025-2029 budget is shown below, with the 2024 budget as a reference:

Cowichan Aquatic Center						
	2024	2025	2026	2027	2028	2029
REVENUE						
User Fees	1,263,287	1,411,654	1,454,004	1,497,624	1,542,552	1,588,829
Areas A, B, C	33,333	0	0	0	0	0
Area E	10,268	0	0	0	0	0
Lake Cowichan	4,926	0	0	0	0	0
Duncan	140,117	0	0	0	0	0
MNC Property Tax	888,726	0	0	0	0	0
Transfer from Reserve	130,000	0	0	0	0	0
Cowichan Tribes	51,530	54,107	56,812	59,652	62,635	65,767
CVRD Requisition	2,419,052	4,081,734	3,997,817	4,183,658	4,374,430	4,570,308
TOTAL REVENUE	4,941,239	5,547,495	5,508,632	5,740,934	5,979,617	6,224,904
EXPENSES						
Building Operations	2,047,640	2,385,847	2,469,352	2,555,779	2,645,231	2,737,814
Maintenance	998,949	1,263,886	1,308,122	1,353,906	1,401,293	1,450,338
Office/Administration	997,682	1,072,511	1,110,049	1,148,901	1,189,112	1,230,731
Fitness	306,968	310,251	321,110	332,349	343,981	356,020
Transfer to Reserve	200,000	250,000	300,000	350,000	400,000	450,000
Capital	390,000	265,000				
TOTAL EXPENSES	4,941,239	5,547,495	5,508,632	5,740,934	5,979,617	6,224,904

OPTIONS

- (Recommended Option)** THAT Council approve the 2025-2029 budget for the Cowichan Aquatic Center and Fuller Lake Arena for submission to the Cowichan Valley Regional District as included in the August 21, 2024, report from the Director of Financial Services.
 - Providing budget approval allows staff to forward the 2025 budgets to the CVRD for inclusion in their 2025 Financial Plan by the August 31, 2024, deadline.
- THAT Council amend the 2025 – 2029 budgets to *(insert facility(s) \$ amount increase/decrease to revenue/expense)*

IMPLICATIONS

With Business Plan presentations being in November, both staff at the CVRD and North Cowichan require direction/approval to finalize budget documents. Regional Recreation budget meetings will be held in October/November with the commissions, and North Cowichan's two facility budgets are required to be to the CVRD by August 30, 2024. If Council wishes to amend the 2025 budgets for either facility, a special Council meeting may be required to meet the CVRD's timeline for budgets to Regional Recreation.

RECOMMENDATION

THAT Council approve the 2025-2029 budget for the Cowichan Aquatic Center and Fuller Lake Arena for submission to the Cowichan Valley Regional District as included in the August 21, 2024, report from the Director of Financial Services.

Report prepared by:



Teri Vetter
Director, Financial Services

Approved to be forwarded to Council:



Ted Swabey
Chief Administrative Officer