

# Report

Date August 17, 2022

File:

Subject Regional Recreation 2023-2027 Budget Approval

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## PURPOSE

To obtain Council approval for Cowichan Aquatic Centre, Fuller Lake Arena and Cowichan Sportsplex 2023-2027 Budgets should the Regional Recreation Assent Voting Opportunity be successful, and to obtain direction from Council regarding alternatives should the Regional Recreation Assent Voting Opportunity be unsuccessful.

## BACKGROUND

Assent voting will be held during the 2022 General Local Election asking taxpayers if they are in favour of the establishment of a regional funding model for 9 regionally significant recreation facilities that include the Cowichan Aquatic Centre (CAC), Fuller Lake Arena (FLA) and the Cowichan Sportsplex.

Should elector approval be obtained, the tax revenue necessary for these facilities will be collected by the Cowichan Valley Regional District (CVRD) instead of by the Municipality of North Cowichan and each municipality and electoral area will contribute to each facility based on usage of the facility by their residents. This change would be transitioned over three years.

In order to meet the CVRD budget timelines for the 2023-2027 financial plan, budget information for each facility is required as soon as possible. This will allow each facility to be included in the CVRD budget deliberations should elector approval be obtained.

## DISCUSSION

During construction of the CAC in 2008, North Cowichan and the City of Duncan (the City) sought other jurisdictions to contribute tax dollars to the facility. Cowichan Tribes was the only jurisdiction to contribute funding and, as a result, a "two-tiered fee" model was established for residents of Electoral Areas A, B, C, D, E, F, I and the Town of Lake Cowichan. Electoral Areas G, H and the Town of Ladysmith were exempt from the two-tier fee due to their contributions to the Frank Jameson Community Centre in Ladysmith.

This lasted for a few years during which time jurisdictions negotiated a contribution to the facility so that the two-tier fee would be removed. The contributions from other jurisdictions have either not increased at all or increased only slightly each year, however, North Cowichan and the City of Duncan decided not to re-impose two-tier fees until a Regional Recreation Review was conducted.

The usage study conducted during the Regional Recreation Review showed that North Cowichan residents represent only 50.15% of the users at the CAC while North Cowichan property taxes account for 62.4% of the total revenues. North Cowichan residents represent 52.50% of users at FLA while North Cowichan property taxes account for 76.4% of the total revenue.

Under the Regional Recreation model, taxes would be commensurate with usage. Should elector approval not be obtained, staff recommend returning to the two-tier fee model for the CAC and also implementing a two-tier fee for FLA to recognize the contribution North Cowichan taxpayers make to the facilities.

The charts below demonstrate three possibilities for funding CAC, FLA and the Cowichan Sportsplex for 2023:

1. the current model;
2. if elector approval is not obtained and two-tier fees are reinstated;
3. if elector approval is obtained and Regional Recreation is phased in over 3 years.

The following four years' projections reflect the regional recreation model, demonstrating the effects of the phase in on Municipal taxes.

#### Cowichan Aquatic Centre

	2023 Budget			2024	2025	2026	2027
CAC	Current	No Regional Recreation	Regional Recreation	Regional Recreation	Regional Recreation	Regional Recreation	Regional Recreation
Expenses	4,132,975	4,132,975	4,132,975	4,215,635	4,299,947	4,385,946	4,473,665
Revenues							
User Fees	-1,025,854	-1,175,753	-1,025,854	-1,046,371	-1,067,295	-1,088,644	-1,110,417
Area A,B,C	-100,000	0	-66,667	-33,333	0	0	0
Area E	-28,870	0	-19,247	-9,623	0	0	0
Area F and I	-13,850	0	-9,053	-4,617	0	0	0
Duncan	-385,950	-385,017	-261,053	-135,273	0	-321,435	0
CVRD Requisition	0	0	-1,004,051	-2,081,127	-3,232,645	-2,975,867	-3,363,248
MNC Property Tax	-2,578,451	-2,572,205	-1,747,050	-905,290	0	0	0

Without Regional Recreation, the budget shows an increase to user fees if Council approved two-tiered fees; a modest increase has been included as some people may chose not to attend the pool for the higher fee. Additionally, the contributions from Electoral Areas would stop.

Under the Regional Recreation funding model, contributions from the electoral areas, the City and North Cowichan would all decrease and the 2023 budget would include revenue received from the CVRD requisition. This change to funding would be phased in over three years; 2023, 2024 and 2025.

### Fuller Lake Arena

	2023 Budget			2024	2025	2026	2027
FLA	Current	No Regional Recreation	Regional Recreation	Regional Recreation	Regional Recreation	Regional Recreation	Regional Recreation
Expenses	1,119,250	1,119,250	1,119,250	1,141,635	1,164,468	1,187,757	1,211,512
Revenues							
User Fees	-264,040	-364,040	-264,040	-269,321	-274,707	-280,201	-285,805
CVRD Requisition			-285,070	-581,543	-889,760	-907,556	-925,707
MNC Property Tax	-855,210	-755,210	-570,140	-290,771	0	0	0

Without Regional Recreation, the budget shows an increase to user fees if Council approved two-tiered fees; a modest increase has been included as some people may chose not to attend the arena for the higher fee.

Under the Regional Recreation funding model, the 2023 budget shows a contribution from the CVRD requisition in revenue and a reduction in North Cowichan's tax contribution. This change to funding would be phased in over three years; 2023, 2024 and 2025.

### Cowichan Sportsplex

	2023 Budget			2024	2025	2026	2027
Sportsplex	Current	No Regional Recreation	Regional Recreation	Regional Recreation	Regional Recreation	Regional Recreation	Regional Recreation
Expenses	205,380	205,380	138,300	71,257	2,185	2,229	2,273
Revenues							
MNC Property Tax	-205,380	-205,380	-138,300	-71,257	-2,185	-2,229	-2,273

Currently, there are some minor staffing amounts related to the Sportsplex each year as well as hydro, garbage collection and an annual contribution to the operations of the facility. As part of the Regional Recreation service, the Sportsplex would receive annual funding from the CVRD through the requisition process rather than from individual local governments. The budget reflects this change phased in over three years, and keeping a small amount for staff just in case.

## Overall Change

Should elector approval be obtained, North Cowichan's municipal tax would decrease by \$1,183,551. This will be somewhat offset by an increase to the CVRD requisition, but will result in an overall decrease to total taxation for recreation facilities. As staff have not yet seen the budgets for all of the facilities, it is not possible to provide a fully accurate amount of reduction, but estimates provided throughout the review process predicted a total decrease of over \$700,000 after the three year phase-in period.

## OPTIONS

### 1. (Recommended Option)

THAT Council approve:

- (1) the 2023-2027 budget for the Cowichan Aquatic Centre, Fuller Lake Arena and Cowichan Sportsplex for submission to the Cowichan Valley Regional District; and,
  - (2) for budget preparation purposes, the imposition of two-tiered fees for residents and non-residents at the Cowichan Aquatic Centre and Fuller Lake Arena should elector approval not be obtained.
- Staff are currently preparing the 2023-2027 budgets for discussion with Council in November and December. This option provides staff sufficient direction to prepare two scenarios based on the outcome of the elector approval process. Council will have further opportunity to consider these budgets in detail during budget deliberations.

### 2. That Council:

- (1) Approve the 2023-2027 budget for the Cowichan Aquatic Centre, Fuller Lake Arena and Cowichan Sportsplex for submission to the Cowichan Valley Regional District; and,
  - (2) Direct staff to schedule a Special Committee of the Whole meeting on August 23, 2022 at 6:00 pm to discuss options should elector approval for Regional Recreation not be obtained.
- This option provides an opportunity for additional discussion of the budgets for the CAC and FLA prior to fall budget deliberations, while still meeting the deadlines of the CVRD.

## IMPLICATIONS

With budget presentations beginning in November, staff at both the CVRD and at North Cowichan require direction right away in order to finalize budget documents. The outcome of the elector approval process will not be known until late October which is not enough time for the budgets to be finalized. By approving the budgets to submit to CVRD and providing direction to staff at this time, different scenarios can be created so that budget documents can be prepared regardless of the outcome.

## RECOMMENDATION

THAT Council approve:

- (1) the 2023-2027 budget for the Cowichan Aquatic Centre, Fuller Lake Arena and Cowichan Sportsplex for submission to the Cowichan Valley Regional District; and,

- (2) for budget preparation purposes, the imposition of two-tiered fees for residents and non-residents at the Cowichan Aquatic Centre and Fuller Lake Arena should elector approval not be obtained.

Report prepared by:



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Report reviewed by:



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**Approved to be forwarded to Council:**



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