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**Item No. 14.1.8**  
**Halifax Regional Council**  
**March 6, 2018**

**TO:** Mayor Savage and Members of Halifax Regional Council

**SUBMITTED BY:** Original Signed  
\_\_\_\_\_  
Jacques Dubé, Chief Administrative Officer

**DATE:** February 28, 2018

**SUBJECT:** Parks and Recreation Fee Structure Review - Interim Arena Rates

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**ORIGIN**

- January 6, 2016 - Committee of the Whole approval of the 2016/17 Parks and Recreation Business Plan which included an initiative to assess recreation fees for facilities and programming offerings and develop an on-going fee strategy.
- January 17, 2018 – Regional Council Budget Committee - Motion approved to place \$300,000 in the parking lot for recreation fee adjustments on ice fees.

**LEGISLATIVE AUTHORITY**

*HRM Charter, S.N.S. 2008, c. 39*

61(3) The property vested in the Municipality, absolutely or in trust, is under the exclusive management and control of the Council...

*Administrative Order 58, the Delegation of Certain Authorities Administrative Order*

**Delegation - Market Value Rent**

11. All renters of a facility or municipal land must pay market value rent.

12. Council hereby delegates the authorities to approve and sign a rental agreement for a facility or municipal land, at market value rent, as follows:

<b>Maximum Rental Period or Term</b>	<b>Annual Market Value Rent (excluding HST)</b>	<b>Approval Authority</b>	<b>Signing Authority</b>
one (1) year	\$1 - \$25,000	Divisional Manager	Divisional Manager
one (1) year	\$1 - \$50,000	Director	Director
one (1) year	\$1 - \$100,000	DCAO or CAO	DCAO or CAO
as approved by Council	\$100,001 and over	Council	Mayor and Clerk

**Delegation - Less than Market Value Rent**

13. Council hereby considers a non-profit organization to be carrying on an activity that is beneficial to the Municipality, if in the opinion of the delegate: (a) the entity is a non-profit organization; (b) the non-profit organization is using, in whole or in part, a facility or municipal lands; and (c) the non-profit

is holding a sporting event, community event, recreational event, entertainment event, or cultural event including artistic performances.

14. Notwithstanding section 11, Council hereby authorizes less than market value rent to be charged to a non-profit organization who is carrying on an activity that is beneficial to the Municipality pursuant to clause 13(c) of this Administrative Order.

15. Subject to sections 13 and 14, Council hereby delegates the authorities to approve and sign rental agreements for a facility or municipal land, with a non-profit organization at less than market value rent, as follows:

<b>Annual Market Value Rent (excluding HST)</b>	<b>Approval Authority</b>	<b>Signing Authority</b>	<b>Maximum Rental Period or Term</b>
\$1 - \$25,000	Divisional Manager or Director	Divisional Manager or Director	one (1) year

### **RECOMMENDATION**

It is recommended that Halifax Regional Council:

1. Maintain 2017/2018 ice and dry-floor rates for HRM operated arenas for the 2018/19 fiscal year; and
2. Set interim dry-floor rates for the BMO Centre and Dartmouth 4-Pad for the 2018/19 fiscal year at
  - a. \$65/hr plus HST for youth groups; and
  - b. \$75/hr plus HST for adult groups.

### **BACKGROUND**

During the 2016/17 budget and business planning process, Parks and Recreation identified the need to conduct a review of all recreation fees. After at least six years of freezing recreation fees for HRM-operated facilities, this review would help staff determine appropriate fees going forward to ensure that programs offered are appropriately priced and resourced. HRM staff engaged a consultant to conduct an in-depth analysis, including a jurisdictional scan, and to provide recommendations to the municipality for consideration.

After a competitive process, RFP 17-039 was awarded to KPMG in April 2017. The review approach is to examine 5 recreation services:

1. Arenas (Dry-Floor and Ice)
2. Facilities (Sports fields, ball diamonds, artificial turf, tracks, courts and meeting rooms)
3. Aquatics
4. Community Programming
5. Fitness and Active Living

Included in the review is a comparison of fees for similar services with benchmark Canadian cities.

KPMG has completed initial recommendations regarding "Ice Recreation" and is working on the remaining categories prior to finalizing their overall recommendations. Staff anticipate that all portions of the KPMG review will be concluded in late Spring 2018.

### **DISCUSSION**

Current offerings and rates for ice and dry-floor are varied over the 26 ice surfaces throughout the municipality. Some arenas maintain their ice surfaces year-round, while others remove ice during the Spring/Summer season to accommodate recreation/leisure activities requiring dry-floor facilities. Staff must respond to the demand for dry-floor and ice during the spring/summer season to ensure that all user groups have adequate time for their programs.

Compounding the challenge of providing the right number of surfaces for play are the financial implications of providing ice and dry-floor surfaces. Ice is more expensive to maintain compared to dry-floor, thus rental rates for the use of the two surfaces vary accordingly. Of the arenas that offer dry-floor services, the current rental rates for dry-floor are approximately 1/3 to 1/2 of ice.

**Arena Governance**

HRM's current governance of arena operations is complex. Multiple organizations operate arenas within the municipality, the majority of which are owned by HRM and five which are privately owned. Current arena inventory information is referenced in Table 1 below. Of the 26 total ice surfaces in HRM, 21 surfaces are HRM-owned, of which oversight for 11 surfaces is the responsibility of an arms-length board.

Table 1 – Operating Arenas with HRM

<b>Arena</b>	<b>Operator</b>	<b>Ice Surfaces</b>
<b>HRM Owned Arenas</b>		
BMO Centre	HRM	4
Centennial	Board	1
Cole Harbour Place	Board	2
Dartmouth 4-Pad	HRM	4
Dartmouth Sportsplex	Board	1
Eastern Shore Community Centre	Board	1
Gray <sup>1</sup>	HRM	Replacement
Halifax Forum/Civic	Board	2
LeBrun Arena	HRM	1
Sackville Sports Stadium	HRM	1
Scotiabank Centre	Board	1
Spryfield Lions Rink	Board	1
St. Margaret's Centre	Board	2
Total HRM Ice Surfaces		21
<b>Privately Owned Arenas</b>		
Bedford Dome	Private Company	1
Bowles Arena <sup>2</sup>	Private Company	1
Sackville Arena	Lake District Recreation Association	1
Shearwater Arena	DND	1
SMU	Saint Mary's University	1
Total Private Ice Surfaces		5
Total Ice Surfaces in HRM		26

<sup>1</sup> Used in 2017/2018 winter season as a replacement for Scotia One (Cole Harbour Place) which was undergoing major capital work. Currently being processed via AO50 Community Interest Stream for disposal as per Council's direction.

<sup>2</sup> Under contract for disposal pending Regional Council approval under A050, Extraordinary Category.

Working with HRM's arena partners adds complexity when timing and implementing any rate adjustments, and must be considered when the municipality moves forward with any proposed changes. Coupled with the consideration of the financial needs of our arena partners is the timing of registration of the sports associations, given that facility rental costs form a significant portion of the registration fees. The facility rates charged to the organizations can influence the number of participants and the amount of time they can book. Therefore, sufficient notice is important for any changes to arena rate structures.

**KPMG Recommendations**

As indicated, KPMG has completed an initial analysis on rental rates of arenas for both ice usage and dry-floor usage.

Ice Assessment

KPMG's interim report regarding arenas recommended the following ice fee structure (hourly rate) based on a cost recovery model and jurisdictional scan:

Youth Prime	\$180
Youth Non-Prime	\$120
Adult Prime	\$225
Adult Non-Prime	\$150

A comparison of KPMG's recommended rates to current rates charged at arenas throughout HRM is found in Appendix 1. While the rate comparison to private arenas is reflected in the table, it should be noted that HRM has no ability to require adoption of the recommended rates.

*Proposed Implementation*

As shown in Table 1, HRM owns 81% of the total ice surfaces but currently only has authority to directly set rates for 10 of them, or 38%. Therefore, any changes to the rates must be implemented in a coordinated manner with HRM's ice surface partners.

There are several other factors which much be considered when determining the implementation plan for any changes to rates including:

- The fact that the rates recommended by the consultant is an interim report only, and could be revised as they complete the remaining analysis;
- Implementation of the proposed rates at HRM operated arenas would result in an estimated revenue reduction of \$250,000 which would need to be offset by a corresponding increase to balance the 2018/19 Parks & Recreation budget;
- The proposed rate changes need to be reviewed with HRM's partners to determine impact to their operations and budgets;
- Any HRM change to rink rental rates set by facility operators would have to be implemented in accordance with the facility operating agreements;
- Adjustments to rates at some arenas, but not others, could be expected to create instability in the system, resulting in location disruption and price shopping as users try to move to other facilities to take advantage of different rates;
- Negotiations with multi-district facility boards to implement new management agreements (which will enable better coordination of rates) are still ongoing and expect to be in place for the 2019/20 season;
- Sufficient notification to sport organizations and user groups to adjust to the impact of new rates, in particular those groups for which rates would increase; and
- The fee study is ongoing with impacts still to be evaluated and implemented including fee setting philosophy, refunds, cancellations, CPI increase and price stability for customers. Staff require time to ensure that these items are fully vetted.

Therefore, it is recommended that Regional Council maintain the 2017/18 ice rates at the HRM operated arenas. Several board operated arenas are in the midst of setting their 2018/19 rates and it is expected that there will be some minimal adjustments to those rates. However, based on this recommendation, the rates would remain frozen at 2017/18 levels for the BMO Centre, Dartmouth 4-Pad, Sackville Sports Stadium and LeBrun Arena, which would continue to remain in use for the 2018/19 season as repairs are made to other HRM owned arenas.

Dry-Floor Assessment

KPMG's interim report regarding arenas recommended the following dry floor structure (hourly rate) based on a cost recovery model and jurisdictional scan:

**Adult**

\$75/hour +HST

**Youth**

\$65/hour +HST

The rates recommended by KPMG are aligned closely to rates currently charged by other HRM privately owned arenas, as outlined in Table 2.

Table 2 – Current Dry-Floor Rates (with HST)

Arena	Ownership	Operator	Current Hourly Rate
Eastern Shore Community Centre	HRM	Board	65
Halifax Forum/Civic	HRM	Board	75
LeBrun Arena	HRM	Nustadia	70
Sackville Arena	Private	Private	75
Spryfield Lions Rink	HRM	Board	70

*Proposed Implementation*

Dry-floor usage occurs during the spring/summer season and includes sports such as ball hockey, lacrosse, etc. The largest dry-floor clientele groups are the local lacrosse associations whose contracts commence on April 9, 2018.

Dry floor usage has historically been primarily accommodated in older arenas, including the four stand-alone HRM arenas (Gray, Bowles, Devonshire and LeBrun). Since 3 of those have been declared surplus and the Spryfield Lions Arena and the Dartmouth Sportsplex are undergoing repairs, HRM has directed Nustadia to remove 2 ice surfaces from both the BMO Centre and the Dartmouth 4-Pad to meet the required dry-floor demand. The removal of ice from arenas for a period is beneficial and recommended as a best practice as it enables the structure to be assessed and any maintenance work completed. In addition, in HRM, the demand for ice rentals in the spring/summer months is significantly lower than the winter months, so it provides opportunity for use by dry-floor sports.

Thus, the upcoming spring/summer ice removal plan is as follows:

- BMO Centre to remove 2 ice surfaces
  - 1 - 13 weeks
  - 1 – 7 weeks
- Dartmouth 4-Pad to remove 2 ice surfaces
  - 1 – 16 weeks
  - 1 – 12 weeks

This will be the first year that ice has been removed in the BMO Centre and in the new Dartmouth 4-Pad. Therefore, rental rates for the facilities need to be set. As per HRM's contract with Nustadia, they are responsible for recommending rates. Nustadia has recommended a dry-land rate of \$100/hr plus HST. Given the impact that this significant and sudden rate increase would have upon clientele, staff is recommending to adopt the KPMG recommended rates as the interim dry-floor rates for the BMO Centre and Dartmouth 4-Pad only.

**Next Steps**

Both the BMO Centre and Dartmouth 4-Pad are managed under contract operated by Nustadia. Based on the current operator agreement, HRM is required to notify Nustadia 30 days prior to setting any new rink rental rate or implementing any change. Therefore, to set a rental rate for dry floor bookings at those arenas for the upcoming 2018 season, direction would need to be approved by Regional Council prior to March 9<sup>th</sup> to ensure that all contractual requirements for all interested parties are met.

Staff will continue to assess the fee recommendations outlined by KPMG, including discussions with third party and private arena operators in preparation to return to Regional Council in Fall 2018 with proposed fees

to be implemented effective April 1, 2019 for arenas and all other recreation assets.

Legal Services and Parks and Recreation staff are currently working on a Fee By-Law to enable fee adjustments for recreation programming. With an anticipated timeline of Fall 2018, staff is aligning the work of the fee review and the fee by-law to present to Regional Council for consideration.

### **FINANCIAL IMPLICATIONS**

Ice surfaces are rented out at a higher rate than dry-floor surfaces in all the arenas in the municipality. With 4 ice surfaces planned for removal at the BMO Centre and the Dartmouth 4-Pad, staff expect that at least 70% of the ice bookings for these rinks will be accommodated on the remaining ice at these arenas or others operating in the spring and summer. The remaining revenue would be offset by dry-floor bookings.

Under the staff recommendation, staff estimate that there will be a revenue decrease of \$30,000 from projected 2018/19 arena revenue due to implementing the interim dry-floor fees. Staff is prepared to absorb the risk within the 2018/19 Parks & Recreation operating budget.

Should Regional Council direct that ice fees be adjusted for the winter 2018 season, there would be an estimated impact to the Parks & Recreation operating budget of approximately \$250,000, which would need to be offset by a corresponding increase to balance the 2018/19 Parks & Recreation budget.

### **RISK CONSIDERATION**

There are no significant risks associated with the recommendations in this report. The risks considered rate Low. To determine this, consideration was given to financial, operational and reputational risks.

### **COMMUNITY ENGAGEMENT**

No community engagement was undertaken in the preparation of this report. Staff has committed to reviewing the recommendations with the partnership facilities prior to implementation of any proposed changes. That consultation would be completed prior to returning with a report outlining an implementation plan for any changes to the ice rates.

### **ENVIRONMENTAL IMPLICATIONS**

None

### **ALTERNATIVES**

1. Council could implement ice rental rates effective October 2018. This alternative would result in an estimated revenue reduction of \$250,000 which would need to be offset by a corresponding increase to balance the 2018/19 Parks & Recreation budget.
2. Council could implement Nustadia's recommended dry-floor rates of \$100/hr + HST for the BMO Centre and the Dartmouth 4-Pad.

### **ATTACHMENTS**

Appendix 1 – Ice Rate Comparison

A copy of this report can be obtained online at [halifax.ca](http://halifax.ca) or by contacting the Office of the Municipal Clerk at 902.490.4210.

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## Ice Rate Comparison

(hourly rates, excluding HST)

Facility	Sheets	Adult						Youth					
		Prime			Non-Prime			Prime			Non-Prime		
		KPMG Proposed Rate	Current Rate	Diff	KPMG Proposed Rate	Current Rate	Diff	KPMG Proposed Rate	Current Rate	Diff	KPMG Proposed Rate	Current Rate	Diff
BMO Centre	4	225	240.00	(15.00)	150	135.00	15.00	180	195.00	(15.00)	120	135.00	(15.00)
Centennial Arena	1	225	169.50	55.50	150	95.65	54.35	180	169.50	10.50	120	95.65	24.35
Cole Harbour Place	2	225	206.00	19.00	150	130.00	20.00	180	206.00	(26.00)	120	130.00	(10.00)
Dartmouth 4-Pad	4	225	240.00	(15.00)	150	135.00	15.00	180	195.00	(15.00)	120	135.00	(15.00)
Dartmouth Sportsplex	1	225	210.44	14.56	150	116.52	33.48	180	185.22	(5.22)	120	116.52	3.48
Eastern Shore Centre	1	225	169.50	55.50	150	143.50	6.50	180	169.50	10.50	120	143.50	(23.50)
Halifax Forum/Civic	2	225	186.96	38.04	150	109.00	41.00	180	165.22	14.78	120	108.70	11.30
LeBrun Arena	1	225	240.00	(15.00)	150	135.00	15.00	180	195.00	(15.00)	120	135.00	(15.00)
Sackville Sports Stadium	1	225	195.00	30.00	150	185.00	(35.00)	180	195.00	(15.00)	120	185.00	(65.00)
Scotiabank Centre	1	225	239.13	(14.13)	150	239.13	(89.13)	180	195.66	(15.66)	120	195.66	(75.66)
Spryfield Arena	1	225	200.00	25.00	150	120.00	30.00	180	200.00	(20.00)	120	120.00	-
St Margaret's Centre	2	225	200.00	25.00	150	130.43	19.57	180	200.00	(20.00)	120	130.43	(10.43)
Bedford Dome	1	225	245.00	(20.00)	150	245.00	(95.00)	180	245.00	(65.00)	120	245.00	(125.00)
Sackville Arena	1	225	195.65	29.35	150	113.04	36.96	180	195.65	(15.65)	120	113.04	6.96
Saint Mary's	1	225	203.50	21.50	150	139.50	10.50	180	203.50	(23.50)	120	139.50	(19.50)
Shearwater Arena	1	225	210.45	14.55	150	150.50	(0.50)	180	199.70	(19.70)	120	150.50	(30.50)
Bowles Arena	1	Currently being processed via AO50 Community Interest Stream for disposal as per Council's direction											

**Total Ice Surfaces 26**

Note: Grey arena - Used in 2017/2018 winter season as a replacement for Scotia One (Cole Harbour Place).  
Currently being processed via AO50 Community Interest Stream for disposal as per Council's direction.